Supreme Court, U.S.
FILED

96 896 NOV 29 1996

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No. _____

In The

Supreme Court of the United States

October Term, 1996

JEFFERSON COUNTY, ALABAMA,

Petitioner,

v.

WILLIAM ACKER and U. W. CLEMON,

Respondents.

Petition For Writ Of Certiorari To The Eleventh Circuit Court Of Appeals

PETITION FOR WRIT OF CERTIORARI

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143pp

QUESTION PRESENTED FOR REVIEW

Whether a County privilege/occupational tax levied upon the income of an Article III judge is a direct tax on federal instrumentalities in violation of the intergovernmental tax immunity doctrine.

PARTIES TO THE PROCEEDINGS BELOW AND CERTIFICATE OF INTERESTED PERSONS

Petitioner	Jefferson County, Alabama.
Petitioner's Counsel	Edwin A. Strickland Jeffrey M. Sewell
Respondents	William Acker U. W. Clemon
Respondents' Counsel	Irwin Stolz Seaton Purdhom
Trial Judge	Honorable Charles A. Moye, Jr., Senior United States District Judge
En Banc Eleventh Circuit Court of Appeals	Hon. Gerald Bard Tjoflat Hon. Phyllis A. Kravitch Hon. Joseph W. Hatchett Hon. R. Lanier Anderson, III Hon. J. L. Edmondson Hon. Emmett R. Cox Hon. Stanley F. Birch, Jr. Hon. Joel F. Dubina Hon. Susan H. Black Hon. Ed Carnes Hon. Rosemary Barkett Hon. Albert J. Henderson

No other persons are known to have participated directly or indirectly in the appeal of this matter.

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CITATIONS OF THE OPINIONS AND JUDGMENTS ENTERED IN THE COURTS BELOW

The opinions and judgments entered in the courts below are contained in the appendix to this brief.

STATEMENT FOR BASIS OF JURISDICTION

This Court has jurisdiction pursuant to 28 U.S.C. § 1254. This is a petition for certiorari from an en banc decision of the United States Court of Appeals for the Eleventh Circuit.

(i) Date of en banc judgment: August 30, 1996.

(ii) No application for rehearing filed.

(iii) No cross petition filed.

(iv) Jurisdiction is conferred by 28 U.S.C. § 1254(1) and Rule 10(c) of the Rules of the United States Supreme Court.

(v) The judgment below effectively declared the Buck Act, 4 U.S.C. §§ 106-110 and the Public Salary Act, 4 U.S.C. § 111 to be unconstitutional as applied to Article III judges. Neither the United States, nor any federal department, office, agency, officer or employee is a party to this case. The United States Court of Appeals did not certify to the Attorney General the fact that the constitutionality of these acts of Congress were drawn into question. Accordingly, this petition was served on the Solicitor General of the United States, Room 5614, Department of Justice, 10th Street and Constitution Avenue, N.W., Washington, D.C. 20530.

STATEMENT OF CONSTITUTIONAL PROVISIONS, STATUTES AND ORDINANCES INVOLVED IN THE CASE

The provisions involved are lengthy. Accordingly, only their citations are provided below. The verbatim text is contained in the appendix.

i. En Banc Opinion from Eleventh Circuit Court of Appeals.

ii. The supremacy clause, Article VI, United States Constitution.

iii. The Buck Act, 4 U.S.C. §§ 106-110.

iv. The Public Salary Act, 4 U.S.C. § 111.

v. 5 U.S.C. § 5520.

vi. 31 CFR § 215.2.

vii. Alabama Act 406 (1967).

viii. Jefferson County, Alabama Ordinance No. 1120.

ix. The Alabama State Business License Code, §§ 40-12-1, *et seq.*, Alabama Code (1975).

STATEMENT OF THE CASE

(I) Nature of Case, Course of Proceedings and Disposition.

Respondents William Acker and U. W. Clemon are active duty Article III judges in the Northern District of Alabama. They refused to pay the County's occupational tax which was authorized by Alabama Act 406 (1967)

[hereafter "Act 406"] and implemented by County Ordinance 1120, effective January 1, 1988. The occupational tax is levied at the rate of one-half of one percent (.005%) of the gross receipts earned in the geographic boundary of the County by individuals who are not required to purchase a state business license pursuant to the state business license code codified at § 40-12-1 *et seq.*, Ala. Code (1975). The occupational tax is collected from hundreds of thousands of persons who work in the County.

The County filed suit against respondents in the state small claims court. Respondents removed the cases to the United States District Court for the Northern District of Alabama. The cases were consolidated and specially assigned to the Honorable Charles A. Moye, Jr., Senior District Judge, from the State of Georgia. As the case involved only questions of law and since the material facts were undisputed, the case was submitted to the trial court on stipulated facts and cross motions for summary judgment. The trial court entered a final order denying the County's motion for summary judgment and granting Respondents' motion for summary judgment. The trial court held that, as applied to federal judges, the County occupational tax is a "franchise tax imposed upon the federal judiciary operations and is unconstitutional as a direct tax upon an officer and instrumentality of the United States, that is, upon the sovereign itself." 800 F.Supp. at 1545, 46. The trial court also held that the County occupational tax "constitutes an unconstitutional diminution of the defendants' compensation and is invalid as to them." 805 F.Supp. at 1548. In effect, the trial court held that the Buck Act and Public Salary Act are unconstitutional as applied to federal judges. That is, the

supremacy clause of Article VI and the compensation clause of Article III, United States Constitution, deprive Congress of the power to consent to the levy of a municipal tax on the compensation of Article III judges.

The County appealed. The case was assigned to a three judge panel of the Eleventh Circuit Court of Appeals. After briefing and oral argument the panel reversed the trial court and held the levy of the tax on Respondents' compensation did not violate the supremacy clause or the compensation clause of the United States Constitution and remanded the case for determination of the amount of tax owed. 61 F.3d 848.

The Court of Appeals granted en banc rehearing. 73 F.3d 1066. After rebriefing and oral argument, the divided[1] court of appeals held that the County tax on federal judges is a direct tax on the federal government or its instrumentalities in violation of the intergovernmental tax immunity doctrine.[2] 92 F.3d 1561.

(II) Stipulated Facts

The undisputed material facts were stipulated by the parties as follows:

1. Alabama Act 406 (1967) authorizes Jefferson County, Alabama, to impose a privilege, license or occupational tax upon all persons engaged in any vocation,

---

[1] En banc 9 judges to 3 judges.

[2] The Court of Appeals expressly declined to address whether the County tax unconstitutionally diminishes federal judges' compensation.

occupation, calling or profession who are not required by state law to pay a privilege, license or occupational tax to the State of Alabama.

2. In 1987, the Jefferson County Commission, the governing body of the County, enacted Ordinance 1120, which imposes a privilege, license or occupational tax upon all persons engaged in any vocation, occupation, calling or profession within the County not required by state law to pay a privilege, license or occupational tax to the state.

Section 2 of Jefferson County Ordinance No. 1120 provides:

> [i]t shall be unlawful for any person to engage in or follow any vocation, occupation, calling or profession . . . within the county . . . without paying license fees for the privilege of engaging in or following such vocation, occupation, calling or profession . . .

Section 1, Definitions, subsection (C), provides:

> [t]he words "vocation, occupation, calling and profession" shall also mean and include the holding of any kind of office or position either by election or appointment, by any federal, state, county or city officer or employee where the services of such official or employee are rendered within Jefferson County, Alabama.

3. The effective date of the ordinance was January 1, 1988. The County Occupational Tax is measured at the rate of one-half of one percent (.005) of the gross receipts earned within the geographic boundary of Jefferson County, Alabama.

4. At all times since January 1, 1988, defendants have been employed by the United States of America as District Judges for the Northern District of Alabama pursuant to Article III of the Constitution of the United States.

5. The Northern District of Alabama is composed of 31 counties, including Jefferson County.

6. Defendants maintained their principal offices at the Hugo Black Federal Courthouse in the City of Birmingham, Jefferson County, Alabama.

7. Defendants routinely perform some but not all of their duties outside of Jefferson County, Alabama.

8. Ordinance No. 1120, section 3, provides:

> [i]n cases where compensation is earned as a result of work done or services performed both within and without the County, the license fees required under this Ordinance shall be computed by determining upon the oath of the employer, or if required by the Director of Revenue upon the oath of the employee, that percentage of the compensation earned from the proportion of the work which was done or performed within the County.

Since the effective date, neither the Administrative Office of the United States Courts nor any Article III judge in the Northern District of Alabama, has ever made an oath certifying the alleged amounts of a federal judge's salary earned within and without Jefferson County.

9. Defendants are not required by any state law to pay any privilege, license or occupational tax to the State of Alabama. Defendants, however, still pay their dues

(one-half of the dues of a licensed practicing attorney) to the Alabama State Bar, which is an integrated bar, and, as such, is an arm or agency of the State of Alabama. Although defendants are not and cannot be licensed to practice law, they remain sustaining or auxiliary members of the bar as they still pay their dues.

10. The Administrative Office of the United States Courts has never withheld County Occupational Tax from any federal judge or court employee pursuant to the provisions of Ordinance No. 1120.

11. All active judges of the Northern District of Alabama except defendants have paid the County Occupational Tax on differing percentages of their judicial salaries to Jefferson County without supporting those percentages by an oath or by any formal accounting procedure. At least one Article III judge (not a defendant) has paid "under protest".

12. All State District and Circuit Court Judges of the Tenth Judicial Circuit of Alabama have paid the County Occupational Tax. The three Alabama Supreme Court Justices with satellite offices in Jefferson County have paid the County Occupational Tax based on portions of their salaries.

13. The Honorable Robert S. Vance, United States Circuit Judge, who served on the Court of Appeals for the Eleventh Circuit, and who, from January 1, 1988 until his death, had chambers in Jefferson County, Alabama, where he resided and spent most of his time, never paid the County Occupational Tax.

14. Since 1970, the City of Birmingham, Alabama, has imposed an occupational tax at the rate of one percent of gross receipts (twice the rate of the County tax) on persons engaged in any vocation, occupation, calling or profession within the City.

15. All active judges of the Northern District of Alabama except defendant Acker have paid the City Occupational Tax.

16. Defendant Clemon has paid the City Occupational Tax on approximately 66 percent of his gross earnings during his entire tenure as a United States District Judge.

17. Since 1962, the City of Gadsden, Alabama, where defendant Acker has regularly held court for the last 11 years, has had an occupational tax ordinance similar to the County Occupational Tax, except that it contains no exemptions. The Gadsden ordinance provides in pertinent part:

> [i]t shall be unlawful for any person to engage in or follow any trade, occupation or profession, as defined in this article, within the city on and after the first day of February, 1962, without paying license fees for the privilege of engaging in or following such trade, occupation or profession, which license fees shall be measured by two (2) per cent of the gross receipts of each such person.

Gadsden, City Code, Section 7-51.

18. The City of Gadsden has made no effort to exact or to collect a license fee from any of the several Article III judges who, regularly, have sat in the Middle Division

of the Northern District of Alabama, which has its courthouse in the City of Gadsden.

19. Defendants have paid their Alabama state income taxes throughout their tenures as federal judges.

20. A final decree entered by defendant Acker as an Article III judge after January 1, 1988, has been formally attacked under Rule 60(b), Fed.R.Civ.P., as having been "unlawfully" entered because said order was entered by defendant Acker when he had not paid his license fee to Jefferson County pursuant to Ordinance No. 1120.

(III) Basis for Federal Jurisdiction in the Courts Below

This case was removed from state court to federal court pursuant to 28 U.S.C. § 1442(a)(1), (3). The court of appeals had jurisdiction pursuant to 28 U.S.C. § 1291.

ARGUMENT

This is a case of FIRST IMPRESSION

In this case a divided court of appeals immunized Article III judges from a County occupational tax paid by hundreds of thousands of persons who work in Jefferson County, Alabama, including state Supreme Court justices. The court of appeals used the doctrine of intergovernmental tax immunity as a pretext to hold that federal judges are instrumentalities of the United States when receiving income and that a tax on their income is tantamount to direct tax upon the United States. The court of appeals ignored the Public Salary Act, 4 U.S.C. § 111

(which subjects the pay of all federal officers to non-discriminatory state and local taxation); the Buck Act, 4 U.S.C. §§ 106-110 (which expressly subjects all federal officers to county occupational tax); 5 U.S.C. § 5520 (which establishes the withholding mechanism for the deduction of county occupational tax from the compensation of members of the federal judiciary); and, a Presidential Executive Order at 31 C.F.R. 215.2 (which expressly requires all members of the federal judiciary to cooperate in the withholding of county occupational tax). And incredibly, the court of appeals rejected several instructive, if not binding, decisions of this Court which establish the tests to determine whether a particular tax violates intergovernmental immunity or falls within the waiver of immunity in the Buck Act.

For example, in *Howard v. Commissioners of Sinking Fund of City of Louisville*, 344 U.S. 624 (1953) this Court examined a municipal tax which is indistinguishable from the instant County tax. The dispositive issue in *Howard* was the same as this case, whether the municipal tax violated the doctrine of intergovernmental tax immunity or fell within the consent of the Buck Act. This Court held that resolution of the question turned on whether the tax was an income tax under *federal* law. This Court applied the *federal* definition of the term "income tax" contained in the Buck Act[3] and held that the Louisville tax was measured by gross receipts, therefore, it was an

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[3] The term "income tax" is defined in the Buck Act, 4 U.S.C. § 110(c) as: "The term income tax means any tax *levied* on, with respect to or *measured by* net income, gross income or *gross receipts*.

income tax for purposes of the Buck Act even though denominated a privilege license tax under Kentucky law. This Court held that it makes no difference how the tax is denominated under state law: "[t]he right to tax earnings within the area was not given Kentucky in accordance with the Kentucky law as to what is an income tax. The grant was given within the definition of the Buck Act. . . . We hold the tax authorized by this ordinance was an income tax within the meaning of federal law." 344 U.S. at 628-9.

In the instant case the court of appeals violated the spirit and rule of *Howard* by ignoring the *federal* definition of the term income tax and instead relied on Alabama's characterization of the County tax as a privilege license tax. The court of appeals' refusal to follow *Howard* is illustrated by the following sentence from its opinion: " . . . if the state court's denomination is a reasonable interpretation of the ordinance, we deem it conclusive." 92 F.3d at 1570. Thus, the court of appeals concluded that the County tax was not saved by the Buck Act because it was not an income tax under *state* law.

By applying an improper test, the court of appeals subverted the plain language of the Buck Act and rejected the test established by this Court in *Howard*. Moreover, instead of applying the *Howard* test to the undisputed facts of this case, the court of appeals applied tests which were expressly rejected by this Court in *Graves v. New York ex rel. O'Keefe*, 306 U.S. 466 (1939) and *United States v. New Mexico*, 455 U.S. 720 (1982).

In *United States v. New Mexico, supra,* this Court held:

> . . . [i]mmunity may not be conferred simply because the tax has an effect on the United States, or even because the federal government shoulders the entire burden of the levy.
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> * * *
>
> . . . [t]ax immunity is appropriate in ***only one circumstance:*** when the levy falls on the United States itself, or on an agency or instrumentality so closely connected to the government that the two cannot be realistically viewed as separate entities. . . .

455 U.S. 734, 735.

In *Graves v. New York, ex rel. O'Keefe, supra,* this Court held:

> The theory, which once won a qualified approval, that a tax on income is legally or economically a tax on its source, is no longer tenable.

306 U.S. at 480.

> So much of the burden of a *non discriminatory general tax* upon the *incomes* of employees of a government, state or national, as may be passed on economically to that government, through the effect of the tax on the price level of labor or materials, is but the normal incident of the organization within the same territory of two governments, each possessing the taxing power. The burden, so far as it can be said to exist or to affect the government in any indirect or incidental way, is one which the constitution presupposes, and hints it cannot rightly be deemed to be within an implied restriction of the taxing

> power of the national and state governments which the constitution has expressly granted to one and has confirmed to the other. *The immunity is not one to be implied from the constitution, because if allowed it would impose to an inadmissible extent a restriction on the taxing power which the constitution has reserved to the state governments.*

306 U.S. at 487.

In this case the court of appeals rejected the foregoing tests and instead ruled that a tax on the income of a federal judge is tantamount to a direct tax on the United States. This conclusion is incredible given that *O'Keefe, supra,* holds that the levy of an income tax on a federal employee does not violate tax immunity. The conclusion is more incredible given that the court of appeals paid lip service to *O'Keefe*[4] while refusing to follow it. The holding is also incredible since the evidence was undisputed and the trial court expressly found that the tax was paid by the judges out of their own funds and the tax imposed *no economic burden on the United States.* 850 F.Supp. at 1544. The court of appeals expressly stated: "[w]e hold that the legal incidence of the tax falls on the federal judge." 92 F.3d at 1571. How is it possible for the levy of an income tax on the private monies of a federal judge to

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[4] "We accept that a federal judge is not an instrumentality of the federal government when the activity being taxed is the judge's receipt of income. A judge may be no more intimately connected with the federal government when receiving income than the federal employee in *O'Keefe.*" 92 F.3d at 1571,72. "Therefore, this case is not controlled by *O'Keefe's* holding that income taxes do not interfere with federal functions in violation of the intergovernmental tax immunity doctrine." 92 F.3d at 1570.

be deemed to be a violation of the tax immunity doctrine? According to this Court in *O'Keefe* it is not possible!

The court of appeals simply rejected the modern decisions of this Court and resurrected the old doctrine of intergovernmental tax immunity as it existed before the turn of the century. Now the law in the Eleventh Circuit is that federal judges are exempt from a state tax which is clearly an *income tax* under *federal* law. That holding has far reaching and embarrassing consequences for the federal judiciary. First, under the Buck Act definition of the term "income tax" there is no way to distinguish between the county tax and the income taxes of Alabama and other states. They are all "income taxes" under the Buck Act. If the county tax violates intergovernmental tax immunity so do the state income taxes! Thus, the court of appeals effectively immunized the Article III judges[5] in the Eleventh Circuit from state income tax! And, by exempting themselves from income taxation, the majority of the court of appeals apparently failed to consider that the dinosaur they were resurrecting also shields state and local employees from federal taxation. The doctrine is a two way street. Once resurrected it shields the employees of *both* sovereigns from taxation by the other. Thus, it follows from the Court of Appeals decision that state and municipal workers in the Eleventh Circuit are now immune from federal taxation!

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[5] It is already being asserted that other federal employees in Jefferson County are similarly immunized from the County tax.

Neutering of the Buck Act and Public Salary Act

When confronted with the obstacle of express Congressional consent to the levy of the county occupational tax upon judicial pay, the trial court simply held the Buck Act and Public Salary Act unconstitutional as applied to federal judges. 850 F.Supp. at 1545, 46. The court of appeals affirmed but, apparently recognizing the recklessness of the holding, never actually held the Acts to be unconstitutional as applied to judges. Instead, a majority of the court of appeals accomplished the same result by rewriting the Acts to exempt themselves from coverage.

For example, the Public Salary Act provides:

> The United States consents to the taxation of *pay or compensation* for personal service as an officer or employee of the United States, a territorial possession or political subdivision thereof, the government of the District of Columbia, or an agency or *instrumentality* of one or more of the foregoing by a duly constituted taxing authority having jurisdiction, if the taxation does not discriminate against the officer or employee because of the source of the pay or compensation.

4 U.S.C. § 111.

Nothing in the Act amounts to only a *partial waiver* of tax immunity. The Act does not distinguish between types of taxes. It does not exclude from its scope any of the occupational, privilege or license taxes. It is not limited to *some* federal officers or employees. The only limitation in the Act is that the tax be nondiscriminatory. Respondents never contended that the tax was discriminatory. The evidence before the court was undisputed

that federal employees *and particularly federal judges* are treated in exactly the same manner as state and local employees and private citizens.[6] Therefore, the county tax satisfies the only test in the Act.

Yet, incredibly, the court of appeals held that Congress did not consent in the Act to the imposition of local occupational privilege taxes on federal employees. 92 F.3d at 1574. And, the Court cited no authority to back up its tortured, unnatural reading of the Act.

Having eviscerated the Public Salary Act, the court of appeals next focused on the Buck Act. The Buck Act provides:

> No person shall be relieved from liability for any *income tax* levied by any state, or by any duly constituted taxing authority therein, having jurisdiction to levy such a tax, by reason of his residing within a federal area, or *receiving income from transactions occurring or services performed in such area;* and such state or taxing authority shall have full jurisdiction and power to levy and collect such tax within the federal area within such state to the same extent as though such area was not a federal area.

4 U.S.C. § 106(a). As noted earlier in this petition, the term "income tax" is defined by the Buck Act as: "any tax

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[6] The evidence in this case is undisputed that the County tax is paid by all 27 state judges within Jefferson County, Alabama, and by three state Supreme Court justices who have satellite offices in the County. [R1-34-36]

levied on, with respect to or measured by, net income, gross income or gross receipts."[7] 4 U.S.C. § 110(c).

Examination of the Senate Report on the Buck Act definition of the term "income tax" confirms that Congress deliberately chose a broad definition to include local privilege license taxes and occupational taxes:

> [t]his definition [of income tax] . . . must of necessity cover a broad field because of the great variations to be found between the different state laws. The intent of your committee in laying down such a broad definition was to include therein any state tax (whether known as a corporate-franchise tax, or *business privilege tax*, or any other name) if it is levied on, with respect to or measured by net income, gross income, or gross receipts.
>
> * * *
>
> The Buck Act "income tax", broadly defined as it is, refers to the broad, generic class of taxes upon income. *It does not require that the tax be denominated an income tax or that it conform to the federal income tax.* If the tax in question is based upon income, and is *measured by* that income in money or monies worth, if a net income tax, gross income tax or *gross receipts tax*, it is an "income tax".

Senate Report No. 1625, 76th Cong., 3rd Session (1940).

The provisions of the Buck Act are implemented by 5 U.S.C. § 5520 and 31 C.F.R. § 215.2 which provide in

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[7] The Jefferson County occupational tax is measured by gross receipts.

pertinent part for tax withholding, including the "judicial branch" as follows:

5 U.S.C. § 5520:

(a) When a county or city ordinance -

(1) provides for the collection of a tax by imposing on employers generally the duty of withholding sums from the pay of employees and making returns of the sum to a designated city or county officer, department or instrumentality and

(2) imposes the duty of withholding generally on the payment of compensation earned within the jurisdiction of the city or county in the case of employees whose regular place of employment is within such jurisdiction.

The secretary of the treasury, under regulations prescribed by the President, shall enter into an agreement with the city or county within 120 days of a request for agreement by the proper city or county official. The agreement shall provide that the head of each agency of the United States shall comply with the requirements of the city or county ordinance in the case of any employee of the *agency* who is subject to the tax and (i) whose regular place of federal employment is within the jurisdiction of the city or county with which the agreement is made or (ii) is a resident of such city or county.

* * *

(c) For the purpose of this section

(4) "Agency" means –

(a) An executive agency;

(b) The *judicial branch*; and

(c) The United States Postal Service.

Id.

31 CFR § 215.2 provides:

(a) "Agency" means each of the executive agencies and the military departments (as defined in 5 U.S.C. § 105 and 102 respectively) and the United States Postal Service and in addition for city or county withholding purposes only ***all elements of the judicial branch.***

* * *

(f) "County income or employment taxes" means *any form of tax* for which, under a county ordinance

(1) Collection is provided by imposing on employers generally the duty of withholding sums from the pay of employees and making return of the sums to a designated county officer, department or instrumentality, and;

(2) The duty to withhold generally is imposed on the payment of compensation earned within the jurisdiction of the County in the case of an employee whose regular place of employment is within such jurisdiction. ***Whether the tax is described as an income tax, wage, payroll, earnings, occupational license or otherwise is immaterial.***

Id.

Since the evidence was undisputed that the county tax is measured by gross receipts, the court of appeals conceded that the tax is an income tax under the Buck

Act: "[w]e agree that the Buck Act's definition of 'income tax' encompasses the privilege tax." 92 F.3d at 1575. Therefore, since: (1) the county tax is an income tax under the Buck Act; and (2) this Court has held that an income tax on the income of a federal employee, however important the position, is not a tax on the United States or an instrumentality thereof, *O'Keefe, supra;* and (3) the court of appeals conceded: " . . . a federal judge is not an instrumentality of the federal government when the activity being taxed is the receipt of income" 92 F.3d at 1571; it follows that the court of appeals could only conclude that the county tax does not violate intergovernmental tax immunity.

Instead of reaching the only reasonable conclusion, the court of appeals neutered the Buck Act by holding that § 107(a) takes back the consent given by § 106(a). Thus, in the Eleventh Circuit the Buck Act is a nullity. In the Eleventh Circuit an income tax on a federal employee violates intergovernmental tax immunity! In the Eleventh Circuit the Buck Act means the opposite of what it says. And, in the Eleventh Circuit *Howard v. Commissioners of Sinking Fund of City of Louisville* and *Graves v. New York ex rel. O'Keefe* are not to be followed.

CONCLUSION

In this case of FIRST IMPRESSION, the 11th Circuit Court of Appeals consciously refused to follow this Court's decisions in *Howard* and *O'Keefe, supra,* and rewrote the Buck Act and the Public Salary Act in order to carve out an immunity for federal judges from local

income taxation. Its decision is not supported by legal authority or by common sense. The decision resurrects notions of federal judicial immunity from the usual and ordinary cost of citizenship in this country that this Court and the U. S. Congress intentionally and expressly rejected many years ago. The disruptive consequences from this astonishing decision have already begun and can only be resolved by corrective action by this Court.

The County urges this Court to grant this PETITION FOR WRIT OF CERTIORARI to the 11th CIRCUIT COURT OF APPEALS and reverse the Court of Appeals' decision and render judgment in favor of the County.

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JEFFERSON COUNTY, a political subdivision of the State of Alabama, Plaintiff-Appellant,

v.

William M. ACKER, Jr., Defendant-Appellee.

JEFFERSON COUNTY, a political subdivision of the State of Alabama, Plaintiff-Appellant,

v.

U.W. CLEMON, Defendant-Appellee.

No. 94-6400.

United States Court of Appeals, Eleventh Circuit.

Aug. 30, 1996.

County brought action against federal judges to recover delinquent privilege taxes. Judges removed case to federal court. The United States District Court for the Northern District of Alabama, Nos. CV93-M-69-S and CV93-M-196-S, Charles A. Moye, Jr., J., granted summary judgment to judges, 850 F.Supp. 1536, and county appealed. The Court of Appeals reversed, 61 F.3d 848. Rehearing en banc was granted. The Court of Appeals, Cox, Circuit Judge, held that: (1) privilege tax violated intergovernmental tax immunity doctrine, and (2) Congress did not consent to tax.

Affirmed.

Anderson, Circuit Judge, filed dissenting opinion, in which Henderson, Senior Circuit Judge, joined.

Birch, Circuit Judge, filed dissenting opinion, in which Henderson, Senior Circuit Judge, joined.

Appeals from the United States District Court for the Northern District of Alabama.

Before TJOFLAT, Chief Judge, KRAVITCH, HATCHETT, ANDERSON, EDMONDSON, COX, BIRCH, DUBINA, BLACK, CARNES and BARKETT, Circuit Judges, and HENDERSON*, Senior Circuit Judge.

COX, Circuit Judge:

We decide in this case whether Jefferson County, Alabama, may impose on federal judges holding office under Article III of the Constitution[1] a tax for the privilege of engaging in their occupation within the county. We hold that such a tax violates the Supremacy Clause of the Constitution.[2]

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* Senior U.S. Circuit Judge Henderson elected to participate in this decision pursuant to 28 U.S.C. § 46(c).

[1] Article III of the Constitution vests the judicial power of the United States in the Supreme Court "and in such inferior Courts as the Congress may from time to time ordain and establish." U.S. Const. art. III, § 1. Article III judges include federal district court judges, judges for the circuit courts of appeals, and justices of the Supreme Court.

[2] Given the nature of the question presented in this case, we considered the issue of recusal at the outset. Our discussion of the recusal issue is included as an appendix.

I. FACTS AND PROCEDURAL HISTORY

Jefferson County, Alabama, sued William M. Acker, Jr., and U.W. Clemon, United States District Judges for the Northern District of Alabama, to recover delinquent county taxes due under Jefferson County Ordinance No. 1120. Ordinance No. 1120 imposes a license or privilege tax (the "privilege tax") on persons not otherwise required to pay any license or privilege tax to the State of Alabama or Jefferson County. The ordinance provides:

> It shall be unlawful for any person to engage in or follow any vocation, occupation, calling or profession . . . within the County on or after the 1st day of January, 1988, without paying license fees to the County for the privilege of engaging in or following such vocation, occupation, calling or profession, which license fees shall be measured by one-half percent (1/2 %) of the gross receipts of each such person.

Jefferson County, Ala., Ordinance No. 1120, § 2 (Sept. 29, 1987).

The ordinance defines "vocation, occupation, calling and profession" to include the holding of any kind of office, by election or appointment, by any federal, state, county, or city officer or employee where the officer's or employee's services are rendered within Jefferson County. *Id.* § 1(C).[3] It is undisputed that the ordinance

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[3] The ordinance also includes the following definition of "vocation, occupation, calling and profession":

> The words "vocation, occupation, calling and profession" shall mean and include the doing of any kind of work, the rendering of any kind of personal

facially applies to federal judges. Non- residents of Jefferson County performing work in Jefferson County must pay the privilege tax. See *Id.* § 1(B). The ordinance defines "gross receipts," by which it measures the privilege tax, as the total gross amount of all salaries, wages, or other monetary payments of any kind which a person receives or is entitled to receive for work or services. *Id.* § 1(F).[4] If

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> services, or the holding of any kind of position or job within Jefferson County, Alabama, by any clerk, laborer, tradesman, manager, official or other employee, including any non-resident of Jefferson County who is employed by any employer as defined in this section, where the relationship between the individual performing the services and the person for whom such services are rendered is, as to those services, the legal relationship of employer and employee, including also a partner of a firm or an officer of a firm or corporation, if such partner or officer receives a salary for his personal services rendered in the business of such firm or corporation, but they shall not mean or include domestic servants employed in private homes and shall not include businesses, professions or occupations for which license fees are required to be paid under any General License Code of the County or to the State of Alabama or the County by any of the following [listing sections of the Code of Alabama].

Ordinance No. 1120, § 1(B).

[4] Ordinance No. 1120, § 1(F) provides:

> The words "gross receipts" and "compensation" shall have the same meaning, and both words shall mean and include the total gross amount of all salaries, wages, commissions, bonuses or other money payment of any kind, or any other considerations having monetary value, which a person receives from or is entitled to receive from or be given credit for by

compensation is earned from work both inside and outside Jefferson County, the privilege tax is based on the proportion of work performed within Jefferson County. *Id.* § 3. The computation of the percentage of work done within Jefferson County must be supported by oath. *Id.*

The ordinance requires employers to withhold privilege taxes, to file returns with the Director of Revenue, and to keep and maintain certain records for five years. *Id.* § 4. The Administrative Office of the United States Courts has never withheld Jefferson County privilege taxes from the salary of any federal judge or court employee. Under the ordinance, an employer's failure to withhold the privilege tax does not relieve employees from the obligation to pay. *Id.* An employee whose employer has failed to comply with the ordinance must file a return and pay the privilege tax. *Id.* § 5.

The ordinance grants certain investigative powers to the Jefferson County Director of Revenue. These include the power to examine the books, records, and papers of any employer or licensee to determine the accuracy of any return or to determine the amount of privilege taxes due if no return was filed, as well as the power to examine any person under oath concerning any gross receipts which were or should have been shown in a return. *Id.* § 7. The Director of Revenue also may promulgate regulations for the administration and enforcement of the ordinance. *Id.* § 8.

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his employer for any work done or personal services rendered in any vocation, occupation, calling or profession, including any kind of deductions before "take home" pay is received . . .

The ordinance imposes interest and penalties for the failure to pay privilege taxes and the failure to withhold privilege taxes. *Id.* § 10(A). In addition, the ordinance alludes to other punishment for failing to comply with its requirements:

> Any person or employee who shall fail, neglect or refuse to pay a license fee . . . or any employer who shall fail to withhold said license fees, or to pay over to County such license fees . . . , or any person required to file a return . . . who shall fail, neglect or refuse to file such return, or any person or employer who shall refuse to permit the Director of Revenue or any agent or employee designated by him . . . to examine his books, records and papers for any purpose authorized by this Ordinance . . . shall upon conviction be subject to punishment within the limits of and as provided by law for each offense. Such punishment shall be in addition to the penalties imposed under subsection (A) of this section.

Id. § 10(B). Alabama law provides that each violation[5] of a city or town ordinance requiring the payment of privilege taxes is punishable by a fine, as prescribed by the ordinance, of up to $500, by up to six months imprisonment, or by both. Alabama Code § 11-51-93 (1989). Alabama law does not appear to provide criminal sanctions for violating county ordinances requiring the payment of privilege taxes.

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[5] Each day one works without a license constitutes a separate offense. Alabama Code § 11-51-93 (1989).

At least three other local governments in Alabama have ordinances requiring the payment of license or privilege taxes. The Cities of Gadsden and Birmingham, in the Northern District of Alabama,[6] and Auburn, in the Middle District of Alabama, have ordinances almost identical to Jefferson County's, though their ordinances tax gross receipts at a higher rate and, because they are city ordinances, are backed by criminal penalties under Alabama law. See *Id.* Counsel for Jefferson County told us at oral argument that Jefferson County simply copied Birmingham's ordinance when enacting Ordinance No. 1120.

Judge Acker and Judge Clemon maintain their principal offices in the Hugo Black Federal Courthouse in Birmingham, Alabama, which lies within Jefferson County. They routinely perform some but not all of their duties outside of Jefferson County. Judges Acker and Clemon have refused to pay the privilege tax imposed by the ordinance. Before the district court's opinion in this case, all other active judges of the Northern District of Alabama paid the privilege tax on differing percentages of their judicial salaries without supporting those percentages by an oath or any formal accounting procedure. In addition, all state judges with offices in Jefferson County have paid the privilege tax based on portions of their salaries.

Jefferson County sued Judge Acker and Judge Clemon in state court to recover delinquent privilege taxes due under the ordinance. Each judge removed his

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[6] The Northern District of Alabama holds court in both Birmingham and Gadsden. 28 U.S.C. § 81 (a)(3) and (6).

case to federal court, where the cases were consolidated. The parties stipulated to the facts and submitted cross-motions for summary judgment.

The district court[7] held that, under the intergovernmental tax immunity doctrine, the ordinance is unconstitutional as applied to Judge Acker and Judge Clemon. The court concluded that the legal incidence of the privilege tax falls on the federal judicial function. *Jefferson County v. Acker,* 850 F.Supp. 1536, 1543 (N.D.Ala.1994). According to the court, the privilege tax, "by express intention and in real effect, is a franchise tax imposed upon the federal judicial operations and is unconstitutional as a direct tax upon an officer and instrumentality of the United States, that is, upon the sovereign itself." *Id.* at 1545-46.

The district court also held that applying the ordinance to Judges Acker and Clemon violates the Compensation Clause of Article III.[8] *Id.* at 1547. The privilege tax diminishes a judge's compensation, rather than taxing his salary, the court held, because its incidence "is upon the performance of judicial functions by a judicial officer, antecedent to the point that the salary therefor having been paid by the government becomes the property of the

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[7] The Honorable Charles A. Moye, Jr., U.S. District Judge for the Northern District of Georgia, sitting by designation.

[8] The Compensation Clause provides that Article III judges "shall, at stated Times, receive for their Services, a Compensation, which shall not be diminished during their Continuance in Office." U.S. Const. art. III, § 1.

individual citizen of Alabama." *Id.* at 1547-48. Jefferson County appealed.[9]

A panel of this court reversed, holding that the ordinance may be applied to Article III judges without violating the intergovernmental tax immunity doctrine or the Compensation Clause. *Jefferson County v. Acker,* 61 F.3d 848 (11th Cir.1995). Chief Judge Tjoflat dissented. The panel majority disagreed with the district court's conclusion that the ordinance taxes the federal judicial function. The panel majority determined that "the practical effect of [the ordinance] is to tax the income that federal judges derive from the performance of their judicial functions," not "to impose a license tax as a precondition to the performance of those functions." *Id.* at 855. And the panel majority determined that federal judges are federal officers rather than arms of the federal government. *Id.* at 853. Therefore, the panel held, the ordinance does not directly tax the operations of the federal government in violation of the intergovernmental tax immunity doctrine. *Id.* at 856.

Also based on its determination that the practical effect of the privilege tax is that of an income tax, the panel majority held that the Compensation Clause does not bar applying the ordinance to federal judges. *Id.* According to the panel majority, "[i]t is well established

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[9] The district court also held that the ordinance does not discriminate against Judges Acker and Clemon by reason of the federal source of their compensation in violation of the Public Salary Act, 4 U.S.C. § 111. On this appeal, there is no contention that this holding was erroneous and, in light of our disposition of the case, we do not address it.

that the Compensation Clause does not forbid . . . levying an income tax on federal judges." *Id.* (citing *O'Malley v. Woodrough*, 307 U.S. 277, 282, 59 S.Ct. 838, 840, 83 L.Ed. 1289 (1939)).

Judges Acker and Clemon filed a suggestion for rehearing en banc. Recognizing this case to involve legal questions and principles of exceptional importance, we granted rehearing en banc to determine whether the ordinance constitutionally may be applied to Article III judges.

II. ISSUES ON APPEAL

Two issues have been raised on appeal: (1) whether the tax imposed by Ordinance No. 1120 constitutes an unconstitutional diminution in the compensation of Article III judges; and (2) whether the tax imposed by Ordinance No. 1120 violates the Supremacy Clause as an intergovernmental tax. Because we hold that the Supremacy Clause bars the application of the ordinance to federal judges, we do not address whether the ordinance unconstitutionally diminishes federal judges' compensation.

III. CONTENTIONS OF THE PARTIES

Jefferson County contends that the district court erred in holding that the intergovernmental tax immunity doctrine prohibits imposing the privilege tax on federal judges. Jefferson County argues that the Public Salary Act and the Buck Act waived the tax immunity of federal officers, including federal judges, with respect to all taxes

except discriminatory taxes. Because the privilege tax is not discriminatory, the County argues, it constitutionally may be applied to federal judges.

The County further contends that, even if Congress's waiver of federal tax immunity does not apply to the privilege tax, the intergovernmental tax immunity doctrine bars only those state taxes levied directly on the federal government itself.[10] The privilege tax, the County argues, is not levied directly on the federal government. Rather, it is imposed on individuals, who are employees of the federal government as opposed to its agencies or instrumentalities. The County argues that Judges Acker and Clemon have conceded their tax immunity argument by admitting that they are subject to the Alabama state income tax: if they were instrumentalities of the federal government, tax immunity would shield them not only from the privilege tax but also from state income taxes.

Judges Acker and Clemon contend that Congress has not waived their federal tax immunity from the privilege tax. They argue that the privilege tax violates the intergovernmental tax immunity doctrine because the legal incidence of the privilege tax is not on the individual judge but on the performance of the federal judicial function. The judges contend that a federal judge is the federal court when performing judicial duties. The judges

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[10] The County recognizes that the intergovernmental tax immunity doctrine also bars taxes that discriminate against the federal government. But the dispute on this appeal does not center on whether the privilege tax is discriminatory and, in light of our disposition of the case, we do not address whether the privilege tax is discriminatory.

contend that state law is determinative of the legal incidence of the privilege tax. When state law demonstrates that a tax is levied on a federal function, they argue, the practical effect of the tax need not be considered. Judges Acker and Clemon also argue that the ordinance's onerous time-keeping and return requirements burden the federal judicial function.

IV. DISCUSSION

We are presented with an issue of first impression. The parties have not cited, and we have not found, any federal case addressing whether the intergovernmental tax immunity doctrine prohibits a state or local government from imposing a privilege tax on Article III judges.

We begin our analysis with an examination of the contours of the intergovernmental tax immunity doctrine, mindful that the nature of the tax and the identity of the taxpayer here differ significantly from the taxes and taxpayers at issue in previous intergovernmental tax immunity cases. Then we apply the doctrine to the judges' challenge to the Jefferson County privilege tax. Finally, we determine whether the Public Salary Act and the Buck Act have altered the intergovernmental tax immunity doctrine's limits on state and local taxation so as to permit the imposition of the privilege tax on federal judges.

A. *The Intergovernmental Tax Immunity Doctrine*

The purpose of the intergovernmental tax immunity doctrine is to forestall "clashing sovereignty." *United*

States v. New Mexico, 455 U.S. 720, 735, 102 S.Ct. 1373, 1383, 71 L.Ed.2d 580 (1982) (quoting *McCulloch v. Maryland*, 4 Wheat 316, 430, 4 L.Ed. 579 (1819)). Born of Chief Justice Marshall's opinion in *McCulloch v. Maryland*, and aphoristically expressed in Marshall's famous dictum "the power to tax involves the power to destroy," the intergovernmental tax immunity doctrine seeks to reconcile states' sovereign taxing authority with the Supremacy Clause's protection of federal operations from state interference. *See generally New Mexico*, 455 U.S. at 730-36, 102 S.Ct. at 1380-1383; Paul J. Hartman, Federal Limitations on State and Local Taxation §§ 6:1-6:15 (1981). The Supreme Court's attempt to fashion a doctrine accommodating these competing constitutional imperatives "has been marked from the beginning by inconsistent decisions and increasingly delicate distinctions." *New Mexico*, 455 U.S. at 730, 102 S.Ct. at 1380-81.

For over a century, the Supreme Court treated Marshall's famous dictum as a constitutional mandate, *Graves v. New York ex rel. O'Keefe*, 306 U.S. 466, 489, 59 S.Ct. 595, 602, 83 L.Ed. 927 (1939) (Frankfurter, J., concurring), finding in case after case that nondiscriminatory state taxes potentially affecting the federal government – even taxes imposed on private parties dealing with the government – threatened to disrupt federal operations. The Court thus struck down, for example, state income taxes on federal employees, *Dobbins v. Commissioners of Erie County*, 41 U.S. (16 Pet.) 435, 10 L.Ed. 1022 (1842), and state sales taxes on private companies' sales to the federal government, *Panhandle Oil Co. v. Mississippi ex rel. Knox*, 277 U.S. 218, 48 S.Ct. 451, 72 L.Ed. 857 (1928). The theory was that

such taxes might increase the cost to the federal government of performing its functions. *United States v. County of Fresno*, 429 U.S. 452, 460, 97 S.Ct. 699, 703, 50 L.Ed.2d 683 (1977).

The theory that a nondiscriminatory tax unconstitutionally interferes with federal functions simply because it imposes an economic burden on the federal government was abandoned in *James v. Dravo Contracting*, 302 U.S. 134, 58 S.Ct. 208, 82 L.Ed. 155 (1937). There, the Court assumed that a state gross receipts tax levied on a federal contractor increased the cost to the government of the contractor's services, but held that the tax nevertheless did not interfere in any substantial way with the performance of federal functions. *Id.* at 160, 58 S.Ct. at 221. Dravo signalled the beginning of the end of constitutional tax immunity for private parties dealing with the federal government. Thus, two years later the Court overruled *Dobbins*, which had immunized federal employees from state income taxes, declaring that any economic burden on the government from an income tax on a government employee is "but the normal incident of the organization within the same territory of two governments, each possessing the taxing power," and a burden "which the Constitution presupposes." *Graves v. New York ex rel. O'Keefe*, 306 U.S. 466, 487, 59 S.Ct. 595, 601, 83 L.Ed. 927 (1939) ("*O'Keefe* ").

The *O'Keefe* Court focused its analysis on whether an income tax on a federal employee obstructs or interferes with the performance of federal functions. *Id.* at 477, 481, 484, 59 S.Ct. at 597, 599, 600. Earlier cases granting immunity from income taxes, the Court said, failed to consider

whether such taxes interfered with government functions; they just assumed that the immunity of the government and its instrumentalities extended to employees of those entities. *Id.* at 481, 59 S.Ct. at 599. But "[t]he theory . . . that a tax on income is legally or economically a tax on its source [was] no longer tenable" after *Dravo*. *Id.* at 480, 59 S.Ct. at 598. Thus not willing to assume any burden on government functions, *Id.* at 486, 59 S.Ct. at 601, the court examined whether an income tax indeed interfered with government functions. The Court found no burden on federal functions other than the economic burden that may be passed on to the government in the form of higher labor costs. *Id.* at 481, 59 S.Ct. at 598. Concluding that such a burden does not amount to an interference with the performance of federal functions, the Court upheld the imposition of state income taxes on federal employees. *Id.* at 487, 59 S.Ct. at 601.

Later cases similarly recognized that the economic burden on the federal government of nondiscriminatory state taxes imposed on those dealing with the federal government generally does not threaten to impede the performance of federal functions. *E.g., South Carolina v. Baker,* 485 U.S. 505, 521, 108 S.Ct. 1355, 1366, 99 L.Ed.2d 592 (1988) (noting that tax's entire financial burden may fall on government without rendering tax unconstitutional); *New Mexico,* 455 U.S. at 734, 102 S.Ct. at 1382 (noting that no immunity arises from federal government shouldering tax's entire economic burden); *County of Fresno,* 429 U.S. at 462, 97 S.Ct. at 704-705 (noting that economic burden on federal function does not render tax unconstitutional). With this recognition, the intergovernmental tax immunity doctrine has become somewhat

more attuned to the practical realities of our federal system. But the test for determining whether a nondiscriminatory tax interferes with the federal government's functions remains highly formalistic.

Current intergovernmental tax immunity doctrine asks whether the "legal incidence," as opposed to the economic burden, of the tax falls directly on the federal government or its instrumentality. *See New Mexico,* 455 U.S. at 735, 102 S.Ct. at 1383; *County of Fresno,* 429 U.S. at 464, 97 S.Ct. at 705. A nondiscriminatory state or local tax is unconstitutional only "when the levy falls on the United States itself, or on an agency or instrumentality so closely connected to the Government that the two cannot realistically be viewed as separate entities, at least insofar as the activity being taxed is concerned." *New Mexico,* 455 U.S. at 735, 102 S.Ct. at 1383. To be an instrumentality of the government, a taxed entity must be "so intimately connected with the exercise of a power or the performance of a duty by the Government that taxation of it would be a direct interference with the functions of government itself." *Id.* (citations and internal quotation marks omitted).

The "legal incidence" test has significantly constricted federal intergovernmental tax immunity. Indeed, the Supreme Court has characterized the current doctrine's prohibition against taxes legally incident on the federal government or its instrumentalities as of "essentially symbolic importance, as the visible 'consequence of that [federal] supremacy which the constitution has declared.' " *New Mexico,* 455 U.S. at 735, 102 S.Ct. at 1383 (quoting *McCulloch v. Maryland,* 4 Wheat. at 436). Relegation of the doctrine to largely symbolic importance is not

surprising in light of the recognition that the economic burden of nondiscriminatory state taxes does not threaten the government's operations. After all, by its very essence, a tax imposes an economic burden. If the Constitution presupposes such an economic burden, then few taxes will violate the intergovernmental tax immunity doctrine.

We do not mean to gainsay the intergovernmental tax immunity doctrine's importance in our federal system. Though it has been narrowed and beset by formalism, the doctrine has continuing vitality. Our point is that the reason for the doctrine's contraction must be appreciated to understand the scope of the doctrine's continuing vitality. The doctrine's contraction stemmed not from a weakening of the principle that, under the Supremacy Clause, states may not burden or interfere with federal operations, but from the recognition that nondiscriminatory taxes levied on private parties generally do not impede federal operations. The intergovernmental tax immunity doctrine still prohibits any state or local tax that burdens or interferes with federal operations.

Mindful of the underlying purpose of intergovernmental tax immunity, the doctrine's history, and the "actual workings of our federalism," *O'Keefe*, 306 U.S. at 490, 59 S.Ct. at 603 (Frankfurter, J., concurring), we turn to whether the Jefferson County privilege tax constitutionally may be levied on Judges Acker and Clemon.

B. *The Federal Judges' Challenge to the Privilege Tax*

Judge Acker and Judge Clemon's challenge to the privilege tax differs substantially from most intergovernmental tax immunity challenges. As far as we can tell, Judges Acker and Clemon are the first federal judges to challenge a state or local tax on intergovernmental tax immunity grounds. Moreover, because the privilege tax differs from most taxes, their objection to the privilege tax is novel. They do not allege that the privilege tax interferes with federal functions by imposing an economic burden on the federal government. The district court found that the privilege tax imposes no economic burden on the federal government itself; it is paid by individual federal judges out of their own pockets. Judges Acker and Clemon do not question this conclusion and, thus, do not make the economic-burden argument that now has been thoroughly repudiated by the intergovernmental tax immunity doctrine.[11]

The burden of which Judges Acker and Clemon complain is the ordinance's requirement that they remit privilege taxes for the privilege of lawfully performing federal judicial duties in Jefferson County. Though they object to paying a tax, they do so not for the economic reasons generally associated with objections to taxes but because the tax purports to be a precondition to the lawful performance of their federal judicial duties.

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[11] Purporting to eschew the economic-burden theory, some litigants have couched their arguments simply in terms of interfering with federal functions, but these challenges invariably have amounted to challenges to the tax's economic burden.

Jefferson County contends that the privilege tax does not regulate, control, or license a federal judge's performance of his duties any more than a state income tax. If Jefferson County is correct that, despite being labelled a "license fee," the privilege tax amounts to an income tax, then it constitutionally may be applied to Judges Acker and Clemon under *O'Keefe*. Thus, before attempting to ascertain the "legal incidence" of the privilege tax under the intergovernmental tax immunity doctrine, we examine the substantive nature of the privilege tax to determine whether it merely taxes the receipt of income.

1. *Whether the Privilege Tax Is In Substance An Income Tax*

To determine the nature and effect of the privilege tax, "we must look through form and behind labels to substance." *City of Detroit v. Murray Corp. of America*, 355 U.S. 489, 492, 78 S.Ct. 458, 460, 2 L.Ed.2d 441 (1958). We are the ultimate arbiters of the substance of the privilege tax. But state law defines the attributes comprising the substance of the privilege tax.

The Alabama Supreme Court has described the operational effect of a City of Auburn ordinance identical to the Jefferson County ordinance in all relevant respects. *McPheeter v. City of Auburn*, 288 Ala. 286, 259 So.2d 833 (1972). Rejecting the argument that the Auburn ordinance imposed an income tax not authorized by the state constitution, Alabama's highest court explained that

> [t]he tax is occasioned when the taxpayer performs services within the Auburn city limits, and not when the taxpayer receives income.

> Therefore, the ordinance taxes the privilege of working and the engagement of rendering services within the City of Auburn, and it only measures the tax due by the amount of the taxpayers' gross receipts which result from such privilege. . . . It is evident that the tax is not even measured by a person's income, but only by his salary or wages earned. So in no sense can the Auburn tax be considered an income tax.

Id. at 837.

Concerned with substance, not labels, we pay no heed to the state court's conclusion that the privilege tax is not an "income tax" under state law. In analyzing the privilege tax's natural effect, however, we accord great weight to the state court's determination of how the tax operates; if the state court's determination is a reasonable interpretation of the ordinance, we deem it conclusive. *See Gurley v. Rhoden*, 421 U.S. 200, 208, 95 S.Ct. 1605, 1610, 44 L.Ed.2d 110 (1975) (deferring to state court's reasonable determination of operating incidence of excise tax).

The Alabama Supreme Court's determination of the operation of the Auburn ordinance is a reasonable interpretation of how the identical Jefferson County ordinance operates. Our examination of the Jefferson County ordinance, within the context of Alabama law, reveals that the privilege tax is a tax on the performance of work in Jefferson County. In substance, the privilege tax does not tax the receipt of income.

The privilege tax differs fundamentally from an income tax. The ordinance purports to make it unlawful

to engage in one's occupation in Jefferson County without paying the privilege tax. Ordinance No. 1120, § 2. This provision indicates that, instead of taxing the receipt of income, the privilege tax attaches to the performance of work in Jefferson County.

Other provisions of the ordinance further demonstrate that the privilege tax does not merely tax the receipt of income. The privilege tax is levied not only on income received but also on income that one is entitled to receive, *id.* § 1(F), indicating that the ordinance is concerned with ensuring that work is taxed regardless of whether income from the work actually is received. Moreover, persons engaged in occupations or businesses for which they are required to pay state or other Jefferson County license fees are exempted from paying the privilege tax under Ordinance No. 1120. *Id.* § 1(B). We do not understand why, if the ordinance is an income tax, it exempts from its requirements persons paying license fees to Jefferson County or to the State of Alabama, license fees that are totally unrelated to income.[12] This exemption makes sense only if the ordinance aims to ensure that a license fee is paid to some unit of government for all work performed in Jefferson County.

We hold that the Jefferson County privilege tax is not, in substance, a tax on income. Though the privilege tax is measured by income, at least roughly, its other attributes remove it from any reasonable conception of an income tax. Therefore, this case is not controlled by

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[12] Attorneys, for example, must pay a flat annual license fee of $250 to the state, regardless of their income. Ala.Code § 40-12-49.

O'Keefe's holding that income taxes do not interfere with federal functions in violation of the intergovernmental tax immunity doctrine.

2. *The Legal Incidence of the Privilege Tax*

Our determination that the privilege tax does not tax the receipt of income is only the beginning of our inquiry. Regardless of what "type" of tax the privilege tax is, the intergovernmental tax immunity doctrine bars its imposition on Judges Acker and Clemon only if its legal incidence falls directly on the federal government or its instrumentality. *New Mexico,* 455 U.S. at 735, 102 S.Ct. at 1383. Judges Acker and Clemon urge that the privilege tax falls on the federal judicial function, as the district court held. Jefferson County contends that the privilege tax is imposed on individuals, not on the federal government or the federal judicial function.

Identifying the legal incidence of the privilege tax is a question of federal law. *Kern-Limerick, Inc. v. Scurlock,* 347 U.S. 110, 121, 74 S.Ct. 403, 410, 98 L.Ed. 546 (1954). However, as with our determination of the nature of the privilege tax, determining the privilege tax's legal incidence requires us to identify the substantive characteristics of the privilege tax under state law. *City of Detroit,* 355 U.S. at 493, 78 S.Ct. at 460-61. Then, we must evaluate the substance of the privilege tax under the federal standards for identifying a tax's legal incidence. *Kern-Limerick,* 347 U.S. at 121, 74 S.Ct. at 410.

We hold that the legal incidence of the tax falls on the federal judge. As the Supreme Court seems to apply the

legal incidence test, the legal incidence of a tax falls on the *entity* that the taxing statute identifies as the taxpayer and contemplates paying the tax. *See United States v. State Tax Commission of Mississippi*, 421 U.S. 599, 607-610, 95 S.Ct. 1872, 1877-79, 44 L.Ed.2d 404 (1975); *Gurley*, 421 U.S. at 203-212, 95 S.Ct. at 1608-12; *Kern-Limerick*, 347 U.S. at 113-123, 74 S.Ct. at 406-411. The ordinance identifies the person engaging in work in Jefferson County as the taxpayer and contemplates that he or she will pay the tax.[13] Ordinance No. 1120, §§ 2, 4, 5. Thus, the legal incidence of the privilege tax falls on Judge Acker and Judge Clemon.

3. *Whether Federal Judges Are Federal Instrumentalities*

We must determine, then, whether Judges Acker and Clemon may be considered the federal government or its instrumentalities. The district court concluded that federal judges are federal instrumentalities. Judges Acker and Clemon argue that a federal judge is the federal court when performing judicial duties. Jefferson County argues that Judges Acker and Clemon are individuals and employees of the federal government, not its instrumentalities. According to the County, Judges Acker and Clemon cannot be instrumentalities of the government because, if they were, then they would be immune from state income taxes as well.

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[13] The ordinance imposes withholding requirements on employers, but contemplates that the license fee will be paid by the person engaging in the work.

Judges Acker and Clemon may be instrumentalities of the federal government with respect to the taxation of one activity but not another. *See New Mexico*, 455 U.S. at 740-743, 102 S.Ct. at 1386-87 (suggesting that an entity may be a federal instrumentality when one activity is taxed even if it is not an instrumentality when another activity is taxed). The Supreme Court's description of what constitutes a federal instrumentality suggests that the activity being taxed may determine whether the taxpayer is a federal instrumentality. To be an instrumentality, an entity must be "so closely connected to the Government that the two cannot realistically be viewed as separate entities, *at least insofar as the activity being taxed is concerned*," or "so intimately connected with *the exercise of a power or the performance of a duty* by the Government that taxation of it would be a direct interference with the functions of government itself." *Id.* at 735, 102 S.Ct. at 1383 (citations and internal quotation marks omitted) (emphasis added).

We accept that a federal judge is not an instrumentality of the federal government when the activity being taxed is the judge's receipt of income. A judge may be no more intimately connected with the federal government when receiving income than the federal employee in *O'Keefe*. The taxation of a federal judge's income may interfere with the functions of government no more than the taxation of any other federal employee's income. But taxing a federal judge in the performance of his or her judicial duties is fundamentally different from taxing his or her income.

When performing federal judicial duties, a federal judge performs "the functions of government itself," *New*

Mexico, 455 U.S. at 735, 102 S.Ct. at 1383, and cannot realistically be viewed as a separate entity from the federal court. The judge is "so intimately connected with the exercise of [federal judicial] power or the performance of a [federal judicial] duty . . . that taxation of [him] would be a direct interference with the functions of government itself." *Id.* Thus, we hold that a federal judge is a federal instrumentality when the taxed activity is the judge's performance of judicial duties.

We conclude, then, that the intergovernmental tax immunity doctrine bars the imposition of the Jefferson County privilege tax on Judges Acker and Clemon. The privilege tax taxes the activity of working in Jefferson County. As applied to Judges Acker and Clemon, the privilege tax taxes the performance of federal judicial duties in Jefferson County. When performing their judicial duties, Judges Acker and Clemon must be considered instrumentalities of the federal government. The imposition of the privilege tax on Judges Acker and Clemon, therefore, amounts to a direct tax on federal instrumentalities in violation of the intergovernmental tax immunity doctrine.

Our conclusion that the Constitution bars levying the privilege tax on Judges Acker and Clemon follows not only from a formal application of the intergovernmental tax immunity doctrine but also from adherence to the doctrine's overarching purpose. The imposition of the privilege tax on federal judges is apt to lead to the clashing sovereignty that the Supremacy Clause seeks to avoid. By its very terms and in practical effect, Ordinance No. 1120 may be applied to federal judges only at the risk of interfering with the operation of the federal judiciary.

According to its plain language, the ordinance makes it unlawful for a federal judge to perform his or her duties in Jefferson County without paying the privilege tax. The County argues that Alabama counties have no power to prosecute anyone criminally for failure to pay the privilege tax.[14] While Alabama counties currently lack the power to impose criminal sanctions for failure to pay the privilege tax, the comfort that this omission provides may be short-lived; the Alabama legislature could of course provide a criminal penalty provision applicable to counties like the provision applicable to cities and towns.[15]

Regardless of whether a county possesses the power under Alabama law to make unlicensed work a crime, a federal judge in Jefferson County who for some reason fails to pay the privilege tax is deemed by Jefferson County to act unlawfully when he performs his judicial duties. We have no doubt that, under the Supremacy Clause, Jefferson County could not enjoin or otherwise prevent a federal judge from performing federal duties. But we believe that the Supremacy Clause protects the federal judiciary not only from outright obstruction but also from a requirement that a federal judge pay a fee to

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[14] The ordinance is not backed by criminal penalties, the County argues, so it is "unlawful" to work without paying the privilege tax only in the sense that it is "unlawful" to refuse to pay any civil debt.

[15] At oral argument, counsel for Jefferson County stated that the County appears to have copied Birmingham's privilege tax ordinance verbatim. Under Alabama law, a city, unlike a county, does have the power to criminally prosecute and punish violators of a license tax ordinance. Ala.Code § 11-51-93.

lawfully perform his or her duties. *See Mayo v. United States*, 319 U.S. 441, 447, 63 S.Ct. 1137, 1140, 87 L.Ed. 1504 (1943) (holding that Supremacy Clause prohibits state from requiring United States to pay privilege tax before executing a function of government); *Johnson v. Maryland*, 254 U.S. 51, 57, 41 S.Ct. 16, 16-17, 65 L.Ed. 126 (1920) (holding that state may not require federal postal employee to obtain state driver's license before performing official duties). Any attempt by a state or local government to tell a federal judge what he or she must do to lawfully perform federal duties offends elemental notions of federal supremacy.[16]

In practice, any attempt to apply Ordinance No. 1120 to federal judges threatens to lead to clashing sovereignty. Enforcement of the privilege tax requirement

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[16] The Supreme Court has described the freedom of the federal courts from state interference, albeit in a different context, in this way:

> It may not be doubted that the judicial power of the United States as created by the Constitution . . . is a power wholly independent of state action, and which therefore the several states may not by any exertion of authority in any form, directly or indirectly, destroy, abridge, limit, or render inefficacious. The doctrine is so elementary as to require no citation of authority to sustain it. Indeed, it stands out so plainly as one of the essential and fundamental conceptions upon which our constitutional system rests, and the lines which define it are so broad and so obvious, that . . . the attempts to transgress or forget them have been so infrequent as to call for few occasions for their statement and application.

Harrison v. St. Louis & San Francisco R.R. Co., 232 U.S. 318, 328, 34 S.Ct. 333, 335, 58 L.Ed. 621 (1914).

against federal judges risks intrusion into a federal judge's judicial affairs. To determine the amount of a federal judge's privilege tax, Jefferson County must determine what percentage of the judge's duties were performed in Jefferson County. We question whether a state or local government may inquire into precisely how and where a federal judge spends time on judicial duties; even if permissible, such an inquiry is apt to engender intergovernmental conflict. A further source of conflict is the practical effect of the privilege tax[17] on federal judges' willingness to sit or otherwise perform duties in Jefferson County.

We note that, in the performance of federal judicial duties, non-resident federal judges often are called upon to sit in Jefferson County. *United States v. Tokars*, 839 F.Supp. 1578 (N.D.Ga.1993), is just one example. *Tokars* was a federal criminal racketeering prosecution involving allegations that the murder of a young woman in front of her two children was committed by two hitmen hired by her husband, an Atlanta attorney. Atlanta, the case's original venue, was saturated with publicity about the case. To safeguard the defendant's constitutional right to a fair trial, a district judge for the Northern District of Georgia granted the defendant a change of venue and spent five weeks in Birmingham trying the case. Under Ordinance No. 1120, the Atlanta-based federal judge would owe Jefferson County a percentage of her salary because she

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[17] The effect includes the burden of recordkeeping and disclosure requirements.

chose Birmingham as the most appropriate venue where the accused could get a fair trial.[18]

C. *Congressional Consent to State Taxation*

Congress generally has the power to consent to state taxation of federal employees, operations, and instrumentalities. *Mayo*, 319 U.S. at 446, 63 S.Ct. at 1140. Jefferson County argues that Congress, in the Public Salary Act and the Buck Act, consented to all forms of state and local taxation of federal employees, including federal judges. Therefore, we examine whether the Public Salary Act and the Buck Act constitute consent to the imposition of the privilege tax on federal judges. The district court held that, under Article III, Congress may not consent to the imposition of the privilege tax on federal judges. Because we find that Congress did not consent to the imposition of the privilege tax on federal judges, we need not address Congress's power to do so.

1. *Public Salary Act*

The Public Salary Act provides in relevant part:

> The United States consents to the taxation of pay or compensation for personal service as an officer or employee of the United States, a territory or possession or political subdivision thereof, the government of the District of

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[18] When questioned at oral argument about whether the *Tokars* judge owes the privilege tax for trying the case in Birmingham, counsel for Jefferson County replied: "Under ordinance yes, I believe she does, I believe she does."

> Columbia, or an agency or instrumentality of one or more of the foregoing, by a duly constituted taxing authority having jurisdiction, if the taxation does not discriminate against the officer or employee because of the source of the pay or compensation.

4 U.S.C. § 111. The Public Salary Act does not define the "taxation of pay or compensation for personal service" to which the United States consents. The County contends that Congress consented to the imposition on federal employees of *all* nondiscriminatory state and local taxes, including nondiscriminatory privilege taxes.

We do not interpret the Public Salary Act's consent to state taxation of federal employees' compensation as encompassing the imposition of privilege taxes such as Jefferson County's. The Public Salary Act must be read in light of the uncertain state of the intergovernmental tax immunity doctrine at the time of the Act's enactment. Before the Act was proposed, the Supreme Court held that the federal government could levy nondiscriminatory taxes on the incomes of state employees. *Davis v. Michigan Dept. of Treasury*, 489 U.S. 803, 811-814, 109 S.Ct. 1500, 1505-06, 103 L.Ed.2d 891 (1989) (describing context of Act's enactment). The primary purpose of the Act was to amend the federal tax code to clarify that the federal income tax applied to the income of all state and local government employees. *Id.* at 811, 109 S.Ct. at 1505. *See also* H.R.Rep. No. 26, 76th Cong., 1st Sess., 3-4 (1939); S.Rep. No. 112, 76th Cong., 1st Sess. 11 (1939).

Congress was concerned, however, that considerations of fairness dictated equal tax treatment of federal and state employees. *Davis*, 489 U.S. at 812, 109 S.Ct. at

1506. The Supreme Court had decided *Dravo* but had not yet held in *O'Keefe* that the intergovernmental tax immunity doctrine does not bar states from taxing the income of federal employees. Thus, Congress entertained doubts about whether states could tax federal employees' income without Congress's consent. *Id.* at 811-812, 109 S.Ct. at 1506. To ensure equal tax treatment of all government employees, therefore, Congress decided to consent to state and local taxation of federal employees' income. *Id.* at 812, 109 S.Ct. at 1506. Congress's consent turned out to be unnecessary; *O'Keefe* was decided before the Act was enacted. *Id.* Congress nevertheless enacted the provision consenting to state and local taxation of federal employees' compensation, effectively codifying the result in *O'Keefe*. *Id.*

The context of the Act's enactment thus reveals that Congress intended to consent to state taxation of federal employees' income to reciprocate for the imposition of the federal income tax on state employees. The Act does not consent to all state taxes on federal employees. We discern no congressional intent to consent to state taxes that in substance are not taxes on income. Thus, we interpret "taxation of pay or compensation for personal service," 4 U.S.C. § 111, to refer to state taxes on income. The Public Salary Act does not alter the intergovernmental tax immunity doctrine; in effect, it just codifies the result in *O'Keefe*. *Davis*, 489 U.S. at 813, 109 S.Ct. at 1506.[19]

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[19] Our interpretation of the Public Salary Act as consenting only to taxes that in substance tax income is not inconsistent with the Third Circuit's decision in *United States v. City of Pittsburgh*, 757 F.2d 43 (3rd Cir.1985). Adopting a broad reading

2. *The Buck Act*

The County also contends that Congress consented to taxes such as the Jefferson County privilege tax in the Buck Act, 4 U.S.C. §§ 106-110. The Buck Act provides in relevant part:

> No person shall be relieved from liability for any income tax levied by any State, or by any duly constituted taxing authority therein, having jurisdiction to levy such a tax, by reason of his residing within a Federal area or receiving income from transactions occurring or services performed in such area; and such State or taxing authority shall have full jurisdiction and power to levy and collect such tax in any Federal area within such State to the same extent and with the same effect as though such area was not a Federal area.

4 U.S.C. § 106(a). Unlike the Public Salary Act, the Buck Act defines the state taxation to which the United States consents. The Buck Act defines "income tax" as "any tax

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of "taxation of pay or compensation," the Third Circuit held that the Public Salary Act consented to Pittsburgh's levy of a privilege tax on a court reporter's transcript fee income. *Id.* at 47. Unlike the Jefferson County privilege tax, the Pittsburgh privilege tax was in substance a tax on income. The Third Circuit found that, despite its "privilege tax" label, the Pittsburgh tax was "clearly a tax on gross receipts or gross income from the fees." *Id.* Though the Third Circuit did not discuss how it arrived at that conclusion, our examination of the Pittsburgh ordinance reveals that the ordinance did not include the factors that distinguish the Jefferson County ordinance from an income tax. *See* Pittsburgh, Pa., Ordinance No. 675 (Dec. 27, 1968).

levied on, with respect to, or measured by, net income, gross income, or gross receipts." *Id.* § 110(c).

The district court found that the privilege tax falls within the Buck Act's definition of an "income tax" because the privilege tax is measured by gross receipts. We agree that the Buck Act's definition of "income tax" encompasses the privilege tax. But another provision of the Buck Act removes the privilege tax from the Buck Act's consent to state taxes. Echoing the intergovernmental tax immunity doctrine's prohibition against state taxes levied directly on the federal government, the Buck Act provides that its provisions "shall not be deemed to authorize the levy or collection of any tax on or from the United States or any instrumentality thereof." *Id.* § 107(a). According to the Supreme Court, "[t]his section can only be read as an explicit congressional preservation of federal immunity from state . . . taxes unconstitutional under the immunity doctrine announced by Mr. Chief Justice Marshall in *McCulloch v. Maryland*." *State Tax Commission of Mississippi*, 421 U.S. at 612, 95 S.Ct. at 1880. Therefore, the Buck Act does not alter the intergovernmental tax immunity doctrine or constitute consent to the privilege tax.

Indeed, the Buck Act's effect on the ability of states to tax federal employees is much more modest than Jefferson County suggests. According to its plain language, the Buck Act merely precludes a taxpayer from arguing that a state or locality lacks jurisdiction to tax her because she resides in a federal area or receives income from transactions or services in a federal area. 4 U.S.C. § 106(a). The Buck Act equalizes taxing power within and without federal areas, allowing states and localities to

levy taxes within federal areas "to the same extent and with the same effect" as without federal areas. *Id.* The Buck Act does not, however, affect the limits on state and local taxing power in any other way.[20]

The Supreme Court addressed the effect of the Buck Act on state and local taxation within federal areas in *Howard v. Commissioners of Sinking Fund of City of Louisville*, 344 U.S. 624, 73 S.Ct. 465, 97 L.Ed. 617 (1953). In *Howard*, employees of a naval ordnance plant located on federal land in Louisville, Kentucky, challenged the City of Louisville's attempt to collect from them a license fee for the privilege of working in Louisville. *Id.* at 625, 73 S.Ct. at 466. The Supreme Court noted that the United States had exclusive jurisdiction over the federal area, except as modified by statute. *Id.* at 627, 73 S.Ct. at 467. The Court held that the license fee was an "income tax"

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[20] The Buck Act was enacted in 1940 against the background of the just-enacted Public Salary Act. The Public Salary Act's consent to state income taxes failed to reach federal employees residing and working in federal areas because, without congressional consent, the states lacked jurisdiction to tax transactions occurring in federal areas. *United States v. Lewisburg Area Sch. Dist.*, 539 F.2d 301, 309 (3rd Cir.1976); *United States v. City and County of Denver*, 573 F.Supp. 686, 691 (D.Colo.1983) (citing S.Rep. No. 1625, 76th Cong., 3d Sess. 3 (1940)). The Buck Act therefore was enacted to eliminate the disparity between the income tax liability of federal employees within federal areas and those outside federal areas. *Lewisburg Area Sch. Dist.*, 539 F.2d at 309; *City and County of Denver*, 573 F.Supp. at 691. It does so by eliminating immunity based solely on the ground that the taxpayer resides in a federal area or receives income from transactions or services in a federal area. The Act does not affect claims of tax immunity based on other grounds. *See* S.Rep. No. 1625, 76th Cong., 3d Sess. 2-3 (1940).

under the Buck Act, *id.* at 629, 73 S.Ct. at 468, and that the Buck Act therefore granted Louisville the right to impose the license fee on the federal employees working at the ordnance plant. *Id.* at 628, 73 S.Ct. at 467. The Court explained, "By virtue of the Buck Act, the tax can be levied and collected within the federal area, just as if it were not a federal area." *Id.* at 629, 73 S.Ct. at 468.

The County suggests that the Buck Act authorizes Jefferson County to levy its license fee on federal judges just as the Buck Act was held in *Howard* to authorize Louisville to levy its license fee on federal employees of the ordnance plant. The challenge to the Jefferson County privilege tax, however, differs significantly from the challenge in *Howard*. Judges Acker and Clemon do not contend that Jefferson County may not tax them because they work within a federal area. Rather, they argue that, regardless of where in Jefferson County they perform their duties, Jefferson County may not levy the privilege tax on them because to do so would amount to a direct tax on instrumentalities of the federal government in violation of the intergovernmental tax immunity doctrine. The federal employees in *Howard*, in contrast, did not contend that the license fee directly taxed the federal government. They challenged the license fee solely on the one ground barred by the Buck Act – that Louisville lacked jurisdiction to tax in a federal area – and the Supreme Court addressed only that ground. Thus, *Howard* does not address the issue presented here.

Nothing in *Howard* undermines our conclusion that the Buck Act does not alter the intergovernmental tax immunity doctrine's limits on state and local taxation.

Howard cannot be read, for example, as an implicit rejection of intergovernmental tax immunity from privilege taxes falling within the Buck Act's definition of "income tax." An intergovernmental tax immunity challenge, if raised by the *Howard* employees, would have failed not because the Buck Act precluded such a challenge but because the Louisville license fee did not amount to a direct tax on the federal government or its instrumentalities. Assuming that the taxed activity was working in Louisville, the *Howard* employees could not be considered the federal government or its instrumentalities when performing their duties. Unlike federal judges, employees of a naval ordnance plant realistically can be viewed as separate entities from the federal government when performing their duties; they are not "intimately connected with the exercise of a power or the performance of a duty by the Government." *New Mexico*, 455 U.S. at 736, 102 S.Ct. at 1383. Thus, that *Howard* upheld the application of the Louisville license fee to federal employees does not imply that the Buck Act precludes an intergovernmental tax immunity challenge to the application of Ordinance No. 1120 to federal judges.

V. CONCLUSION

As applied to federal judges, the privilege tax violates the intergovernmental tax immunity doctrine as a direct tax on the federal government or its instrumentalities. We hold, therefore, that the Supremacy Clause prohibits Jefferson County from applying Ordinance No. 1120 to Judges Acker and Clemon.

AFFIRMED.

ANDERSON, Circuit Judge, dissenting, in which HENDERSON, Senior Circuit Judge, joins:

I also dissent for the several reasons set forth by Judge Birch. I can discern no principled way to avoid the conclusion that the instant county ordinance is in substance an income tax for purposes of federal law. I respectfully submit that the majority's attempt to distinguish *Howard v. Commissioners of Sinking Fund*, 344 U.S. 624, 73 S.Ct. 465, 97 L.Ed. 617 (1953), is flawed. In *Howard*, the Supreme Court interpreted the Buck Act's provision that no person shall be relieved from liability for state or local income tax by reason of residing on federal property or working on federal property. 4 U.S.C.A. § 106(a). The Supreme Court held that an almost identically worded ordinance was in substance an income tax. The majority attempts to distinguish *Howard* by pointing to the exclusion provision in the Buck Act – i.e. that the Buck Act shall not be deemed to authorize taxation of the "United States itself or any instrumentality thereof." 4 U.S.C.A. § 107(a). Although the majority correctly points out that this provision confirms the continued applicability of the intergovernmental tax immunity doctrine, the majority's attempted distinction fails to recognize that an *income tax* is clearly not barred by the tax immunity doctrine and that the Buck Act and *Howard* indicate that the instant ordinance *is* in substance an income tax.

Having concluded that the instant tax is as a practical matter an income tax, it follows that it is not barred by the intergovernmental tax immunity doctrine because tax

upon the income of a federal employee, however important the position,[1] is not a tax upon the United States or an instrumentality thereof.[2] The test is whether the tax obstructs or interferes with the performance of the federal function. *Graves v. New York ex rel. O'Keefe*, 306 U.S. 466, 477, 481, 484, 59 S.Ct. 595, 597, 598-99, 600, 83 L.Ed. 927 (1939). As Judge Birch persuasively points out, the instant tax neither obstructs nor interferes with the performance of the judge's functions. Indeed, the district court so found.

I respectfully dissent.

BIRCH, Circuit Judge, dissenting, in which HENDERSON, Senior Circuit Judge, joins:

I respectfully dissent. The linchpin of the majority opinion is that the tax at issue in this case is something other than an income tax.[1] If the tax at issue is a tax on

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[1] Because the instant tax is an income tax, and because a state or local tax upon a federal judge's income is not barred by the intergovernmental tax immunity doctrine, I need not address the majority's assertion that the acts of federal judges (in performing their official duties) are acts of the United States or an instrumentality thereof.

[2] As Judge Birch points out so forcefully, the majority acknowledges this.

[1] Throughout the majority opinion, Judge Cox is steadfast and candid in acknowledging that should this tax be a tax on income, it would not run afoul of the Supremacy Clause and the intergovernmental tax immunity doctrine predicated thereon, to wit:

> But "[t]he theory . . . that a tax on income is legally or economically a tax on its source [was] no longer

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tenable" after *[James v.] Dravo* [*Contracting*, 302 U.S. 134, 58 S.Ct. 208, 82 L.Ed. 155 (1937)]. [*Graves v. New York ex rel. O'Keefe*, 306 U.S. 466] at 480, 59 S.Ct. [595] at 598, 83 L.Ed. 927 [(1939)].

Maj.Op. at 3359.

* * *

If Jefferson County is correct that, despite being labeled a "license fee," the privilege tax amounts to an income tax, then it constitutionally may be applied to Judges Acker and Clemon under *O'Keefe*.

Maj.Op. at 3361.

* * *

We have no doubt that a federal judge is not an instrumentality of the federal government when the activity being taxed is the judge's receipt of income. A judge is no more intimately connected with the federal government when receiving income than the federal employee in *O'Keefe*. The taxation of a federal judge's income interferes with the functions of government no more than the taxation of any other federal employee's income.

Maj.Op. at 3364.

* * *

Congress . . . enacted the provision [4 U.S.C. § 111, The Public Salary Act] consenting to state and local taxation of federal employees' compensation, effectively codifying the result in *O'Keefe*. [*Davis v. Michigan Dept. of Treasury*, 489 U.S. 803 at 812, 109 S.Ct. 1500 at 1506, 103 L.Ed.2d 891 (1989)].

Maj.Op. at 3367.

* * *

We discern no congressional intent to consent to state taxes that in substance are not taxes on income. Thus, we interpret "taxation of pay or compensation

income, as defined by federal law,[2] the judges must pay

> for personal service," 4 U.S.C. § 111, to refer to state taxes on income.

Id.

* * *

> We agree that the Buck Act's [4 U.S.C. §§ 106-110] definition of "income tax" encompasses the privilege tax.

Maj.Op. at 3368.

[2] In *United States v. City of Pittsburgh*, 757 F.2d 43, 47 (3d Cir.1985), the Third Circuit, in adjudicating a challenge by the United States to the taxation of an official court reporter working in the federal district court (who the panel found to be an officer of the court), observed:

> The United States contends, however, that section 111 does not apply because the City's tax is not a tax on compensation. It argues that the section applies only to income taxes, and that because the business privilege tax is not a net income tax, it is not tax on compensation within the meaning of section 111. For support, it cites *F.J. Busse Co. v. City of Pittsburgh*, 443 Pa. 349, 353, 279 A.2d 14, 16 n. 1 (1971), which held that the City's business privilege tax is not an earned income tax under Pennsylvania law. However, *the question of whether Congress consented to the imposition of the business privilege tax is a question of Congressional intent, and therefore determined with reference to federal law. See Howard v. Comm'rs of the Sinking Fund*, 344 U.S. 624, 628-29, 73 S.Ct. 465, 467-68, 97 L.Ed. 617 (1953) (determination of what is an income tax under the Buck Act is a question of federal law).
>
> Congress, in enacting section 111, intended that "[federal employees] should contribute to the support of their State and local governments, which confer upon them the same privileges and benefits

> which are accorded to persons engaged in private occupations." S.Rep. No. 112, 76th Cong. 1st Sess. 4 (1939). A broad reading of the meaning of "taxation on . . . compensation" would comport with that intent. Further, in enacting the Public Salary Tax Act of 1939, Congress was aware that the states used a variety of forms of income taxes, including gross income taxes and occupational taxes. S.Rep. No. 112, 76th Cong. 1st Sess. 6-10 (1939). In this case, the City's tax is clearly a tax on gross receipts or gross income from the fees. We believe that the City's business privilege tax in this case is within the language and intent of section 111.
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> * * *
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> We therefore hold that if there were any federal constitutional immunity from the imposition of the City's business privilege tax on a federal court reporter's transcript fee income, that immunity was waived by Congress.

(emphasis added). The majority opinion attempts to distinguish this case from the instant case in footnote 1 on page 3364 of its opinion.

The majority professes not to be bound by the Alabama Supreme Court's *McPheeter v. City of Auburn*, 288 Ala. 286, 259 So.2d 833 (1972) conclusion that the privilege tax is not an "income tax," Maj.Op. at 3362, yet, in the next sentence the majority asserts " . . . if the state court's determination is a reasonable interpretation of the ordinance, we deem it conclusive. *See Gurley v. Rhoden*, 421 U.S. 200, 208, 95 S.Ct. 1605, 1610 [, 44 L.Ed.2d 110] (1975)." However, *Gurley* had nothing to do with the determination of whether a state tax was an income tax for the purpose of *federal* law. Moreover, the Supreme Court expressly accorded great weight to the state court's findings regarding the legal incidence of a state tax strictly within the context of state law. *Gurley*, 421 U.S. at 208, 95 S.Ct. at 1610.

the $668.00 per year that the county has levied.[3] Despite the conclusion of the majority that this tax "may be applied to federal judges only at the risk of interfering with the operation of the federal judiciary," Maj.Op. at 3364, the independence of the federal judiciary surely will survive such a tax; as Justice Oliver Wendell Holmes (joined by Justice Louis O. Brandeis) observed:

> To require a man to pay the taxes that all other men have to pay cannot possibly be made an instrument to attack his independence as a judge. I see nothing in the purpose of [Article III, § 1] of the Constitution to indicate that the judges were to be a privileged class, free from bearing their share of the cost of the institutions upon which their well-being if not their life depends.

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[3] The annual salary of a federal district judge is established by law and is currently $133,600. *See* 28 U.S.C. §§ 135, 461 (1993). Applying the one-half percent privilege tax, an annual tax of $668.00 would result. It is indeed sobering to reflect upon the expenditure of taxpayers' dollars involved in the resolution of the issue before this court. The legal fees and time expended by Jefferson County in order to recover these relatively paltry amounts should be distressing enough to that county's citizens. However, considering the expenditure of federal judicial resources (a district judge's initial consideration, a three-judge panel of this court, and now an *en banc* consideration by twelve judges of our court) one can only wonder if the principle at issue here is really all that significant. Common sense whispers to me that this is the classic tempest in a teapot involving more the clash of powerful egos rather than powerful principles. The outcome of this issue may dent the coffers of Jefferson County or a few federal judges but will speak little to the separation-of-powers principle used to justify this considerable expenditure of public resources.

Evans v. Gore, 253 U.S. 245, 265, 40 S.Ct. 550, 557, 64 L.Ed. 887 (1920) (Holmes J., dissenting). I continue to maintain that the Jefferson County tax is not a direct tax on the federal judiciary, but is an individualized tax on the *earnings* of judges and all others subject to the ordinance. Although Article III judges together compose the federal judiciary, they are also citizens of the country, state and localities where they reside. As emphasized by the Supreme Court in *O'Malley v. Woodrough*, 307 U.S. 277, 59 S.Ct. 838, 83 L.Ed. 1289 (1939):

> To suggest that [the income tax] makes inroads upon the independence of judges who took office after Congress had thus charged them with the common duties of citizenship, by making them bear their aliquot share of the cost of maintaining the Government, is to trivialize the great historic experience on which the framers based the safeguards of Article III, § 1. To subject them to a general tax is merely to recognize that judges are also citizens, and that their particular function in government does not generate an immunity from sharing with their fellow citizens the material burden of the government whose Constitution and laws they are charged with administering.

Id. at 282, 59 S.Ct. at 840 (footnote omitted).

There is currently no issue before this court that suggests that the privilege tax in this case discriminates against federal employees. The original panel opinion addressed that issue and concluded that the occupational tax does not discriminate unconstitutionally against federal employees. *Jefferson County v. Acker*, 61 F.3d 848, 852-53 (11th Cir.1995), *vacated and rehearing en banc*

granted, 73 F.3d 1066 (11th Cir.1996). As noted above, the dispositive issue is whether this tax is an income tax under *federal* law. In a case addressing the issue of intergovernmental tax immunity the Supreme Court admonished:

> [I]n passing on the constitutionality of a state tax "we are concerned only with its practical operation, not its definition or the precise form of descriptive words which may be applied to it." *Lawrence v. State Tax Commission*, 286 U.S. 276, 280, 52 S.Ct. 556, 557, 76 L.Ed. 1102. Consequently in determining whether these taxes violate the Government's constitutional immunity we must look through form and behind labels to substance.

City of Detroit v. Murray Corp. of Amer., 355 U.S. 489, 492, 78 S.Ct. 458, 460, 2 L.Ed.2d 441 (1958). In this case, the majority concedes that "[t]he district court found", and "Judges Acker and Clemon do not question", "that the privilege tax imposes no economic burden on the federal government itself; it is paid by individual federal judges out of their own pockets." Maj.Op. at ___; *see also Jefferson County v. Acker*, 850 F.Supp. 1536, 1544 (N.D.Ala.1994), *rev'd*, 61 F.3d 848 (11th Cir.1995), *vacated and reh'g en banc granted*, 73 F.3d 1066 (11th Cir.1996). Yet the majority concludes that the tax at issue is not one on income.

The Supreme Court previously has upheld an analogous ordinance, also denominated as a "license fee" by the state, as a constitutionally sound income tax. *Howard v. Commissioners of Sinking Fund*, 344 U.S. 624, 73 S.Ct. 465, 97 L.Ed. 617 (1953). In *Howard*, the City of Louisville, Kentucky, enacted an ordinance collecting a "license tax

for the privilege of working in the city, measured by one percent of all salaries, wages and commissions earned in the city." *Id.* at 625, 73 S.Ct. at 466. Federal employees working within the jurisdiction of the Navy Department contended that the tax impermissibly functioned as a fee for doing business with the United States. The Supreme Court, however, held that the tax established by the ordinance was an income tax. Quoting the Buck Act, 4 U.S.C. §§ 105-110, the Court stated that an " 'income tax' means any tax levied on, with respect to, or measured by, net income, gross income, or gross receipts." *Id.* at 628, 73 S.Ct. at 467. Although the state court had held that the tax was not an income tax, the Court declared:

> [T]he right to tax earnings within the area was not given Kentucky in accordance with the Kentucky law as to what is an income tax. The grant was given within the definition of the Buck Act, and this was for *any tax* measured by net income, gross income, or gross receipts. . . . We hold that the tax authorized by this ordinance was an income tax within the meaning of the federal law.

Id. at 628-9, 73 S.Ct. at 468 (emphasis in original). It seems to me that the Supreme Court's reasoning and disposition in *Howard* are very instructive, if not binding, with respect to this case. The majority attempts to minimize the precedential force of *Howard* by distinguishing employees of a naval ordinance [sic] plant who "can be viewed as separate entities from the federal government when performing their duties" from federal judges because the latter are " 'intimately connected with the exercise of a power or the performance of a duty by the Government.' " Maj.Op. at ___ (quoting *United States v.*

New Mexico, 455 U.S. 720, 738, 102 S.Ct. 1373, 1383, 71 L.Ed.2d 580 (1982)). In *Howard*, however, the Supreme Court explicitly concluded that the tax in question – which was defined in terms identical to the tax at issue in this case – was an income tax within the meaning of the Buck Act. 344 U.S. at 468, 73 S.Ct. at 468. The Court's finding that the tax was an income tax under the Buck Act was inextricably linked to its conclusion that individuals working in a federal area within Louisville were subject to the tax. I believe that the Buck Act and the Supreme Court's interpretation thereof compel the conclusion that the Jefferson County tax, which is by its terms indistinguishable from the tax described in *Howard*, is an income tax to which federal judges in Jefferson County are subject.

The majority, relying principally on Alabama's characterization of the tax and distinguishing *Howard* in a manner that fails to explain the Supreme Court's equation of a license occupation tax with an income tax, concludes "[i]n substance, the privilege tax does not tax the receipt of income." Maj.Op. at ___. Focusing on two provisions of the ordinance, the majority concludes that the "tax does not *merely* tax the receipt of income." *Id.* First, the majority notes that the tax is levied not only on income received but also on income that one is entitled to receive. This tax concept is certainly not novel in the realm of *income* taxation, either state or federal. *See In re Kochell*, 804 F.2d 84, 85 (7th Cir.1986) (stating that "in tax law a payment attributable to a person's earnings that bypasses him and goes to his designees is taxed as a payment to him"); *Bank of Coushatta v. United States*, 650 F.2d 75, 77

(5th Cir. Unit A 1981) (noting that "[a] taxpayer is considered in constructive receipt of income if it is available to him without any substantial limitation or restriction as to the time or manner of payment or condition upon which payment is made, and the Commissioner will assess taxes on the basis of this income. . . . ") The majority posits that this provision demonstrates that "the ordinance is concerned with ensuring that work is taxed regardless of whether income from the work is actually received." Maj.Op. at ___. While such an explanation is not incredible, it is more likely that the traditional and typical rationale for the taxation of entitlement to income noted above is more plausible.

The majority concludes that because the ordinance exempts persons paying license fees to Jefferson County or to the State of Alabama, it "makes sense only if the ordinance aims to ensure that a license fee is paid to some unit of government for all work performed in Jefferson County." *Id.* An equally plausible explanation is that the exemption exists to prevent double taxation of wage earners in that jurisdiction – particularly when the other qualifying fees may also be computed on the receipt or entitlement from wage or fee income. The deduction or exemption of state and local taxes relative to each other or to federal taxable income is a familiar tax mechanism. *See* 26 U.S.C. § 164(a)(1), (2) and (3) (1988) and Ala.Code § 40-18-15 (1993).

If the burden or interference of the tax is not economic,[4] what is it? The majority informs us that the complaining judges refuse to pay the tax "because the tax *purports* to be a precondition to the *lawful* performance of their federal judicial duties", Maj.Op. at ___ (emphasis added), and holds "that a federal judge is a federal instrumentality when the taxed activity is the judge's performance of judicial duties". *Id.* at ___. Nowhere in the opinion do we find an explanation of just how this declaration of lawful precondition "impedes" or "burdens" the performance of any judicial duties. To paraphrase a popular question posed during the 1980's in fast food advertising: "Where is the 'burden' "? Aside from offending the sensibilities of these affected judges and arousing a sense of apprehension, the ordinance is a paper tiger. As the majority concedes, "Alabama law does not appear to provide criminal sanctions for violating county ordinances requiring the payment of privilege taxes." Maj.Op. at ___. While one can appreciate that these judges, honorable men and women sworn to uphold the law, may feel

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[4] *See* Computation of the tax set out in footnote 3 of this dissent. Recall that the district court found as a matter of fact that the privilege tax imposes no "monetary (economic) burden on the Federal Government itself." *Acker,* 850 F.Supp. at 1544. Moreover, there has been no analysis of facts or finding by the district court relative to the judges' contention that "the ordinance's onerous time-keeping and return requirements burden the federal judicial function." Maj.Op. at ___. Stated differently, there is nothing in the record before us to establish or substantiate any such conclusion. Moreover, this ordinance's recordkeeping and return requirements appear to be no more onerous than those commonly associated with paying one's federal and state income taxes.

uncomfortable acting "unlawfully" as the ordinance "purports" to characterize their work in the absence of payment of the tax, is that the degree of impediment or burden required to invoke application of the intergovernmental tax immunity doctrine and the Supremacy Clause of the United States Constitution? I doubt it. The burden or impediment, to the extent that one exists in this case is, at best, *de minimis* or ephemeral.

Appendix

BY THE COURT:

ON RECUSAL

We accepted the Appellee's suggestion for rehearing *en banc* of this case to determine the validity, as applied to Article III judges, of a Jefferson County tax imposed on persons working in the County. Given the nature of the controversy, we, at the outset, had to decide whether some or all judges of this Court are disqualified from the case, where nine of the *en banc* panel's twelve judges have sat in Jefferson County at least one day – and some a few days more. We also faced the fact that, though this court has no immediate sittings planned for Jefferson County, all of its judges could be sent to do judicial work in Birmingham (which is in Jefferson) in the future. Counsel for the County, however, represented at oral argument that the county has "never" attempted to collect the tax from a federal judge with no chambers in Jefferson County. And, no judge of this Court now keeps chambers in Jefferson County. Nor does this Court maintain a courtroom for its use in Jefferson County.

Appellees included in their Certificate of Interested Persons this phrase: "each Judge of the United States Circuit Court of Appeals for the Eleventh Circuit who has within the last five years performed or may perform any work or duties relating to the judicial function at any office or other location within Jefferson County, Alabama."[1] No motions to recuse have been presented. This listing might be construed as a suggestion of recusal; but in any event, whether 28 U.S.C. § 455 requires recusal is an issue that judges are required to resolve on their own motion. *See Phillips v. Joint Legislative Committee on Performance and Expenditure Review of State of Mississippi*, 637 F.2d 1014, 1020 n. 6 (5th Cir. Unit A 1981). Because the integrity of the judiciary is in issue, moreover, the issue should be resolved "at the earliest possible opportunity." *Union Carbide Corp. v. U.S. Cutting Service, Inc.*, 782 F.2d 710, 712 (7th Cir.1986).

Whether a judge is disqualified, that is, must not take part in deciding a case, is a question of law. *See McCuin v. Texas Power & Light Co.*, 714 F.2d 1255, 1260 (5th Cir.1983). Title 28 U.S.C. § 455 requires recusal whenever a judge's impartiality "might reasonably be questioned," *id.* § 455(a), or when he "has a financial interest in the subject matter in controversy . . . or any other interest that could be substantially affected by the outcome of the proceeding." *Id.* § 455(b)(4). The statute defines "financial

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[1] The significance of the five-year figure is unclear. We assume, for purposes of this opinion only, that no statute of limitations has run that would prevent the collection of taxes imposed based on the 9 October 1990 *en banc* sitting, in which most of the present Court heard argument in Jefferson County.

interest" to mean "ownership of a legal or equitable interest, however small . . . in the affairs of a party. . . . " *Id.* § 455(d)(4).

The Ordinance may arguably authorize Jefferson County to compel the payment of half of one percent of the income received for those days worked in the County. So, for example, for those judges who sat in Birmingham on 9 October 1990 – the last day the Court of Appeals has sat in Birmingham and the only day most of our judges have sat in Jefferson County – the Ordinance might mean they could be assessed for half of one percent of 1/365 of their salary for 1990, which comes to roughly a dollar and a half. We doubt the reasonable observer would think the integrity of federal judges could be bought so cheaply.

We looked at the two potential "interests" of the court's judges, in accordance with 28 U.S.C. § 455(b)(4) – financial interests and "other" interests. Considering the statutory definition of "financial interest," the term may be totally inapplicable here; but we do not rely on a strict reading. In *In re New Mexico Natural Gas Antitrust Litigation*, 620 F.2d 794, 796 (10th Cir.1980), the court wrote these words:

> We agree with the Fourth Circuit's determination that a remote, contingent benefit, such as a possible beneficial effect on future utility bills, is not a "financial interest" within the meaning of the statute. It is an "other interest," requiring disqualification under a "substantially affected" test.

Id. (citing *In re Virginia Elec. & Power Co.*, 539 F.2d 357 (4th Cir.1976)). That case involved an antitrust claim alleging

that various oil companies were fixing the price of natural gas at the well head. Relief was sought, among other things, on behalf of a class of residential customers in New Mexico where all the federal judges of the District of New Mexico resided. The Tenth Circuit held that the possible beneficial effect on the future utility bills of those judges was a remote and contingent benefit and, thus, was no "financial interest." Rather, the interest was an "other interest" which would require disqualification only if the interest "could be substantially affected by the outcome of the proceeding." The possible beneficial effect on future rates was found to be remote and contingent, because, among other things, the rate setting agency might not pass on the cost savings to consumers. *Accord In re Virginia Elec. & Power Co.*, 539 F.2d 357, 366-67 (4th Cir.1976).

We agree with the Tenth and Fourth Circuits that the term "financial interest" is limited to *direct* interests and does not include remote or contingent interests. We believe that the judges' interest in this case is even more remote and contingent than in the Tenth and Fourth Circuit cases. Jefferson County has represented that its tax has never been assessed against a federal judge without chambers in Jefferson County, and no judge of this Court maintains chambers in Jefferson County. Some judge of this Court might occasionally sit in Jefferson County as a member of a three-judge district court; but these duties are not common. Moreover, the possibility that a particular judge of this Court will be specially assigned in the future to hear a case in Jefferson County is wholly speculative. Considering the low expectancy – regardless of how this case might be decided – that the

tax will be assessed against judges who have no chambers or courtroom in Birmingham, we have concluded that the judges of this Court have no "financial interest" in the subject matter in controversy in this case.

Having determined that the judges' interest in this case is not a "financial interest," but is an "other interest," disqualification is required only if the interest "could be substantially affected by the outcome of the proceeding." We readily conclude that this provision does not require recusal. It is unlikely that the tax will ever be assessed against a judge of this Court because none have chambers in Jefferson County. And even if the tax were assessed against non-resident judges, we do not believe the "substantially affected" standard would be satisfied. Special assignments to sit in Birmingham are uncommon, and any such assignment would probably be of short duration and thus give rise to a de minimis tax.[2]

Our conclusion and reasoning is supported by opinions of the Codes of Conduct Committee of the Judicial

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[2] For the same reasons, we also conclude that no one could reasonably question the impartiality of the judges of this Court. We also have considered whether non-financial interests in the case's outcome might require recusal of judges. We concluded that the potential administrative burdens and intrusiveness of the Ordinance (again viewed against the likelihood of no tax ever being assessed against a judge now on this court) did not require recusal. For cases finding no need to recuse for non-financial interests tied to the Article III function, see *In re Petition to Inspect & Copy Grand Jury Materials*, 735 F.2d 1261, 1266 (11th Cir.1984); *Duplantier v. United States*, 606 F.2d 654, 662-63 (5th Cir.1979).

Conference of the United States. The committee has interpreted language in the Code of Conduct for United States Judges in a similar way (the Code's words track closely the financial interest language of section 455). *See generally Union Carbide Corp. v. U.S. Cutting Service, Inc.*, 782 F.2d 710, 715 (7th Cir.1986) ("In matters of judicial ethics we are bound to give some weight to the view of the committee of judges that the Judicial Conference of the United States has established to advise federal judges on ethical questions."). In its Advisory Opinion No. 62, the committee advised that a judge should recuse from a case involving a utility to which he was a ratepayer only if he stood to receive savings that "might reasonably be considered substantial." The committee has also advised, in the same context, that a potential billing increase of "60 cents per month as of 1984 plus normal increases is not considered substantial." *Guide to Judiciary Policies and Procedures*, Vol. II, Ch. V, Compendium § 3.1-7[1](c) (1995).

Our decision to go forward with deciding the case was confirmed by the "rule of necessity," which rule "requires that 'where all are disqualified, none are disqualified.' " *In re City of Houston*, 745 F.2d 925, 930 n. 9 (5th Cir.1984) (quoting *Pilla v. American Bar Ass'n*, 542 F.2d 56, 59 (8th Cir.1976)). *See generally United States v. Will*, 449 U.S. 200, 217-19, 101 S.Ct. 471, 482, 66 L.Ed.2d 392 (1980) (section 455 was not intended to abridge rule of necessity). Applying the rule, this court has held that where a case is framed as one that "involves important Article III concerns" of interest to "*all* Article III judges, wherever located," the rule of necessity instructs judges to refrain from recusal. *In re Petition to Inspect & Copy Grand Jury Materials*, 735 F.2d 1261, 1266 (11th Cir.1984).

Also, this court held in *Duplantier v. United States*, 606 F.2d 654, 662-63 (5th Cir.1979) (considering constitutionality of Ethics in Government Act provisions requiring filing of personal financial reports by judges), that where all members of the judiciary have some interest in the outcome, none are disqualified, even if the levels of interest of individual judges vary somewhat. *See id.* at 662 (noting specific characteristics of interest of judges who had already filed reports). Every United States circuit judge in the country is eligible to be sent to Jefferson County to do judicial work. *See* 28 U.S.C. § 291 (assignment of circuit judges); *see also id.* § 292 (assignment of district judges). So, this case is one that involves concerns of some importance to Article III judges everywhere.[3] Thus, recusal by any one judge of this court would be contrary to the rule of necessity.

Also relevant to the recusal decision and to the application of the rule of necessity was the hardship to the participants and hindrance to judicial economy that would have resulted from a recusal *en masse*. In *City of Houston*, 745 F.2d at 931 n. 9, the court noted that recusal was inappropriate when viewed in the light of the "impracticality and unnecessary hardship that would result from recusal where the grounds are tenuous at best. . . . " *Id.* (citations omitted); *see also id.* (noting relevance of "great inconvenience to the counsel, parties,

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[3] The principles involved in this case also might affect the application of other taxes to which other federal judges in other places are subject. *See In re Pet. To Inspect & Copy Grand Jury Materials*, 735 F.2d 1261, 1266-67 (11th Cir.1984) (applying rule of necessity where principles of law involved in case are of substantial interest to all Article III judges).

or judge") (internal quotation marks and citations omitted). Here, recusal would have been especially impractical, because it would have entailed empaneling an entire *en banc* court of judges sitting by designation, an event for which we can find no clear precedent and which raises some jurisprudential questions.[4]

Because we have no interest, financial or other, that requires disqualification under the circumstances and because disqualification under the circumstances would also be contrary to the rule of necessity, we concluded that no member of this court was required to recuse.

ALL THE JUDGES CONCUR IN THE OPINION ON RECUSAL.

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[4] For background, see *United States v. Nixon*, 827 F.2d 1019, 1021 (5th Cir.1987); see also *Matter of Skupniewitz*, 73 F.3d 702, 705 (7th Cir.1996); *Martinez v. Winner*, 778 F.2d 553, 555 n. 1 (10th Cir.1985), *vacated on other grounds*, *Tyus v. Martinez*, 475 U.S. 1138, 106 S.Ct. 1787, 90 L.Ed.2d 333 (1986).

Our conclusion for this case would be the same even if it were plainly lawful to empanel an *en banc* court for this Circuit composed of non-disqualified judges drawn exclusively from other circuits; the rule of necessity has been applied, by one court at least, even where fewer than all judges of a single district court would be disqualified. *See City of Houston*, 745 F.2d at 931 n. 9 (applying the rule of necessity where "no resident Houston district judge would be qualified if [the pertinent district judge] were held to be disqualified;" district included cities in which district judges were resident other than Houston).

ARTICLE III.

Section 1.

[Judicial Power, Tenure of Office]

The judicial power of the United States, shall be vested in one supreme court, and in such inferior courts as the congress may from time to time ordain and establish. The judges, both of the supreme and inferior courts, shall hold their offices during good behavior, and shall, at stated times, receive for their services, a compensation, which shall not be diminished during their continuance in office.

ARTICLE VI.

[*Debts, Supremacy, Oath*]

All debts contracted and engagements entered into, before the adoption of this Constitution, shall be as valid against the United States under this Constitution, as under the confederation.

This Constitution, and the laws of the United States which shall be made in pursuance thereof; and all treaties made, or which shall be made, under the authority of the United States, shall be the supreme law of the land; and the judges in every state shall be bound thereby, any thing in the Constitution or laws of any state to the contrary notwithstanding.

The senators and representatives before mentioned, and the members of the several state legislatures, and all executive and judicial officers, both of the United States and of the several states, shall be bound by oath or affirmation, to support this Constitution; but no religious tests shall ever be required as a qualification to any office or public trust under the United States.

§ 106. Same; income tax

(a) No person shall be relieved from liability for any income tax levied by any State, or by any duly constituted taxing authority therein, having jurisdiction to levy such a tax, by reason of his residing within a Federal area or receiving income from transactions occurring or services performed in such area; and such State or taxing authority shall have full jurisdiction and power to levy and collect such tax in any Federal area within such State to the same extent and with the same effect as though such area was not a Federal area.

(b) The provisions of subsection (a) shall be applicable only with respect to income or receipts received after December 31, 1940.

* * *

§ 110. Same; definitions

As used in sections 105-109 of this title –

(a) The term "person" shall have the meaning assigned to it in section 3797 of title 26.

(b) The term "sales or use tax" means any tax levied on, with respect to, or measured by, sales, receipts from sales, purchases, storage, or use of tangible personal property, except a tax with respect to which the provisions of section 104 of this title are applicable.

(c) The term "income tax" means any tax levied on, with respect to, or measured by, net income, gross income, or gross receipts.

(d) The term "State" includes any Territory or possession of the United States.

(e) The term "Federal area" means any lands or premises held or acquired by or for the use of the United States or any department, establishment, or agency of the United States; and any Federal area, or any part thereof, which is located within the exterior boundaries of any State, shall be deemed to be a Federal area located within such State.

(July 30, 1947, c. 389, 61 Stat. 645.)

§ 111. Same; taxation affecting Federal employees; income tax

The United States consents to the taxation of pay or compensation for personal service as an officer or employee of the United States, a territory or possession or political subdivision thereof, the government of the District of Columbia, or an agency or instrumentality of one or more of the foregoing, by a duly constituted taxing authority having jurisdiction, if the taxation does not discriminate against the officer or employee because of the source of the pay or compensation.

§ 5520. Withholding of city or county income or employment taxes

(a) When a city or county ordinance –

(1) provides for the collection of a tax by imposing on employers generally the duty of withholding sums from the pay of employees and making returns of the sums to a designated city or county officer, department, or instrumentality; and

(2) imposes the duty to withhold generally on the payment of compensation earned within the jurisdiction of the city or county in the case of employees whose regular place of employment is within such jurisdiction;

the Secretary of the Treasury, under regulations prescribed by the President, shall enter into an agreement with the city or county within 120 days of a request for agreement by the proper city or county official. The agreement shall provide that the head of each agency of the United States shall comply with the requirements of the city or county ordinance in the case of any employee of the agency who is subject to the tax and (i) whose regular place of Federal employment is within the jurisdiction of the city or county with which the agreement is made or (ii) is a resident of such city or county. The agreement may not apply to pay for service as a member of the Armed Forces (other than service described in section 5517(d) of this title). The agreement may not permit withholding of a city or county tax from the pay of an employee who is not a resident of, or whose regular place of Federal employment is not within, the State in

which that city or county is located unless the employee consents to the withholding.

(b) This section does not give the consent of the United States to the application of an ordinance which imposes more burdensome requirements on the United States than on other employers or which subjects the United States or its employees to a penalty or liability because of this section. An agency of the United States may not accept pay from a city or county for services performed in withholding city or county income or employment taxes from the pay of employees of the agency.

(c) For the purpose of this section –

(1) "city" means any unit of general local government which –

(A) is classified as a municipality by the Bureau of the Census, or

(B) is a town or township which, in the determination of the Secretary of the Treasury –

(i) possesses powers and performs functions comparable to those associated with municipalities,

(ii) is closely settled, and

(iii) contains within its boundaries no incorporated places, as defined by the Bureau of the Census,

within the political boundaries of which 500 or more persons are regularly employed by all agencies of the Federal Government;

(2) "county" means any unit of local general government which is classified as a county by the Bureau of the Census and within the political boundaries of which 500 or more persons are regularly employed by all agencies of the Federal Government;

(3) "ordinance" means an ordinance, order, resolution, or similar instrument which is duly adopted and approved by a city or county in accordance with the constitution and statutes of the State in which it is located and which has the force of law within such city or county; and

(4) "agency" means –

(A) an Executive agency;

(B) the judicial branch; and

(C) the United States Postal Service.

31 CFR § 215.2

* * *

(a) "Agency" means each of the executive agencies and the military departments (as defined in 5 U.S.C. § 105 and 102 respectively) and the United States Postal Service and in addition for city or county withholding purposes only ***all elements of the judicial branch.***

* * *

(f) "County income or employment taxes" means *any form of tax* for which, under a county ordinance

(1) Collection is provided by imposing on employers generally the duty of withholding sums from the pay of employees and making return of the sums to a designated county officer, department or instrumentality, and;

(2) The duty to withhold generally is imposed on the payment of compensation earned within the jurisdiction of the County in the case of an employee whose regular place of employment is within such jurisdiction. ***Whether the tax is described as an income tax, wage, payroll, earnings, occupational license or otherwise is immaterial.***

Act No. 406 H. 832 – House, Cherner, Waggoner, Holman, Crane, Yeilding, Ellis, Adwell, Gloor, Jackson (T), Money, Bowers

AN ACT

To authorize the governing body of any county of the State having a population of 500,000 or more, according to the last or any subsequent Federal census, to levy a business or privilege tax upon any business, vocation, occupation, calling or profession for which a license or privilege tax is not required for either the State of Alabama or the county by the laws of the State of Alabama, and to limit the amount of any such business or privilege tax.

Be It Enacted by the Legislature of Alabama:

Section 1. This Act shall apply to any county of the State of Alabama having a population of 500,000 or more, according to the last or any subsequent federal census, and to no other county.

Section 2. As used in this Act, the following words and terms shall have the meanings hereby ascribed to them; "the county" means a county subject to this Act; "the governing body" means the governing body of the county, whether it be a county commission, board of revenue or other governing body; "person" includes any natural person, corporation, firm, association or other entity; and "business" includes business, vocation, occupation, calling or profession; "license or privilege tax" shall not include any sales or use tax.

Section 3. The purpose of this Act is to equalize the burden of taxation by authorizing the county to impose a license or privilege tax upon persons now engaging in certain businesses without paying any license tax thereon to either the state or county.

Section 4. The governing body of the county is hereby authorized to levy a license or privilege tax upon any person for engaging in any business, for which he is not required by law to pay any license or privilege tax to either the State of Alabama or the county by any of the following Article 1, Chapter 20, Title 51; Sections 176, 177, 178, 180, 182, 183, 184, 186, 429, and 826 in Title 51 of the Code of Alabama of 1940 as amended.

When a person is engaged in more than one business for one or more of which a license or privilege tax is required to be paid to the State or the county but for one or more of which no license or privilege tax is required to be paid to the State or county, the county governing body shall have the authority to levy a license or privilege tax upon that business, or those businesses, for engaging in which such person is not required to pay any license or privilege tax to the State or county.

Section 5. The tax hereby levied shall be paid to that officer or employee of the county chargeable with the duty of collecting license or privilege taxes payable to the county.

Section 6. No license or privilege tax levied by the governing body of the county on any person, for engaging in any business shall be at a rate which is in excess of the rate of license or privilege tax levied by the largest

municipality of the county on the same or similar type of business activity.

Section 7. It is hereby provided that all laws or parts of law in conflict with provisions of this Act are hereby repealed to the extent of such conflict.

Section 8. The provisions of this Act are severable; and should any part of this Act be declared unconstitutional or void, such declaration shall not affect the remaining provisions.

Section 9. This Act shall become effective upon its approval by the Governor or upon its otherwise becoming a law.

Approved September 7, 1967.

Time: 10:37 A.M.

OCCUPATIONAL TAX

of

JEFFERSON COUNTY

ALABAMA

Adopted by Ordinance Number 1120

of Jefferson County Commission

September 29, 1987

DAVID ORANGE, President

Jefferson County Commission

Commissioner of Finance & General Services

REUBEN DAVIS	JIM GUNTER
Commissioner Health & Human Resources	Commissioner Community & Economic Development
CHRIS McNAIR	DR. JOHN KATOPODIS
Commissioner Environmental Services	Commissioner Roads & Transportation

ORDINANCE NO. 1120

An Ordinance to establish a license or privilege tax on persons engaged in any vocation, occupation, calling or profession in Jefferson County who is not required by law to pay any license or privilege tax to either the State of Alabama or the County as set out herein.

BE IT RESOLVED AND ORDAINED by the Jefferson County Commission as follows:

Section 1. DEFINITIONS. That the following words, when used in this Ordinance, shall have the meaning

ascribed to them, except where the context clearly indicates or requires a different meaning.

(A) The word "person" shall mean any natural person. Whenever the word "person" is used in any clause prescribing and imposing a penalty in the nature of a fine or imprisonment, the work as applied to a partnership or other form of unincorporated enterprise shall mean the partners or members thereof, and as applied to corporations shall mean the officers and directors thereof.

(B) The words "vocation, occupation, calling and profession" shall mean and include the doing of any kind of work, the rendering of any kind of personal services, or the holding of any kind of position or job within Jefferson County, Alabama, by any clerk, laborer, tradesman, manager, official or other employee, including any non-resident of Jefferson County who is employed by any employer as defined in this section, where the relationship between the individual performing the services and the person for whom such services are rendered is, as to those services, the legal relationship of employer and employee, including also a partner of a firm or an officer of a firm or corporation, if such partner or officer receives a salary for his personal services rendered in the business of such firm or corporation, but they shall not mean or include domestic servants employed in private homes and shall not include businesses, professions or occupations for which license fees are required to be paid under any General License Code of the County or to the State of Alabama or the County by any of the following: Chapter 12, Article 2, Title 40; §§ 40-21-50, 40-21-52; 53, 54 and 55;

40-21-57, 58, 59, and 60; 40-16-6; and 27-4-9 of the Code of Ala. 1975, as amended.

(C) The words "vocation, occupation, calling and profession" shall also mean and include the holding of any kind of office or position either by election or appointment, by any federal, state, county or city officer or employee where the services of such official or employee are rendered within Jefferson County, Alabama.

(D) The word "employee" shall mean and include any person engaging in or following any vocation, occupation, calling or profession within the meaning of subsection (B) of Section 1 of this Resolution and Ordinance.

(E) The word "employer" shall mean and include any person, business, firm, corporation, partnership, association or any other kind of organization who or that employs any person in any vocation, occupation, calling or profession in Jefferson County, Alabama, within the meaning of subsection (B) of Section 1 of this Ordinance.

(F) The words "gross receipts" and "compensation" shall have the same meaning, and both words shall mean and include the total gross amount of all salaries, wages, commissions, bonuses or other money payment of any kind, or any other considerations having monetary value, which a person receives from or is entitled to receive from or be given credit for by his employer for any work done or personal services rendered in any vocation, occupation, calling or profession, including any kind of deductions before "take home" pay is received;

but the words "gross receipts" and "compensation" shall not mean or include amounts paid to traveling salesmen or other workers as allowance or reimbursement for traveling or other expenses incurred in the business of the employer, except to the extent of the excess of such amounts over such expenses actually incurred and accounted for by the employee to the employer.

(G) The word "licensee" shall mean and include any person required to file a return or to pay a license fee under this ordinance.

(H) The word "county" shall mean Jefferson County, Alabama.

(I) The words "Director of Revenue" shall mean the Director of Revenue of Jefferson County, Alabama.

(J) The singular shall include the plural and vice versa, and the masculine shall include the feminine and the neuter.

Section 2. LICENSE FEES REQUIRED. It shall be unlawful for any person to engage in or follow any vocation, occupation, calling or profession as defined in Section 1 within the County on and after the 1st day of January, 1988, without paying license fees to the County for the privilege of engaging in or following such vocation, occupation, calling or profession, which license fees shall be measured by one-half percent (½%) of the gross receipts of each such person.

Section 3. WHERE WORK DONE OR SERVICES PERFORMED BOTH WITHIN AND WITHOUT THE COUNTY. In cases where compensation is earned as a result of work done or services performed both within

and without the county, the license fees required under this Ordinance shall be computed by determining upon the oath of the employer, or if required by the Director of Revenue upon the oath of the employee, that percentage of the compensation earned from the proportion of the work which was done or performed within the County.

Section 4. EMPLOYERS TO WITHHOLD LICENSE FEES AND FILE RETURNS. Each employer shall deduct from each payment due each employee the amount of the license fees measured by one-half per centum (1/2%) of the compensation due each employee beginning on the 1st day of January, 1988. The payments required to be made on account of such deductions by employers shall be made monthly to the County for the monthly periods ending January 31, February 28, March 31, April 30, May 31, June 30, July 31, August 31, September 30, October 31, November 30 and December 31st of each year, on or before the twentieth day of the month next following the end of each such monthly period, and each employer shall at the same time make a return in connection therewith on a form made available to such employer by the Director of Revenue at the office of the Director of Revenue, provided that, if the total amount deducted from payments made to or due all employees of an employer is less than fifty ($50.00) dollars during each calendar month of the previous calendar year, then such employer may elect, for the current calendar year, to remit such deductions to the county for the quarterly periods ending March 31st, June 30th, September 30th and December 31st of such following calendar year, on or before the twentieth day of the month next following the end of each such quarterly period, and each such employer shall at

the same time make a return in connection therewith on a form made available to such employer by the Director of Revenue at the office of Director of Revenue. Provided, however, that the failure or omission by any employer to deduct such license fees shall not relieve an employee from the payment of such license fees and compliance with the requirements for making returns as provided in this Ordinance, or with any regulations promulgated under this Ordinance. Each employer shall file in the office of the Director of Revenue on or before January 31, of each year a return on a form made available by said Director of Revenue, at the office of said Director of Revenue, which return shall show the gross amount of compensation of each employee, the amount of license fees deducted and paid by such employer for all or any part of the preceding calendar year and the last known address of each such employee. Each employer shall keep accurate records of all such compensation, deductions, license fees, payments and returns. Such records shall be kept and maintained by each such employer for not less than five (5) years subsequent to the date such compensation was earned.

Section 5. RETURNS TO BE FILED BY EMPLOYEES. When a monthly or quarterly return, as required by Section 4 hereof is not filed by an employer and the license fees are not paid to the County by such employer monthly as herein provided, the employee for whom no return has been filed and no payment has been made shall file a return with the Director of Revenue on or before the 1st day of the second month next following the end of each such monthly or quarterly period, showing in said return his gross receipts subject to license fees

for such month or quarter, and he shall also file a return with the Director of Revenue on or before January 31st of each year thereafter in which his employer has failed to file any monthly or quarterly return required in the preceding calendar year, showing on said return the gross receipts subject to license fees during the preceding calendar year. If for any reason all license fees of a person subject to the provisions of this Ordinance were not withheld by his employer from his gross receipts, such person shall file each return required by this section on a form obtainable at the office of the Director of Revenue. In addition to the gross receipts earned by him, such return shall show such other pertinent information as may be required by the Director of Revenue. Each person making a return required by the Section shall, at the time of filing thereof, pay to the County the amount of license fees due under this Ordinance; provided, however, that any portion of the license fees deducted at the source shall be deducted on the return and only the balance, if any, shall be due and payable at the time of filing said return. Each employee shall keep accurate records of all such compensation, deductions, license fees, payments and returns. Such records shall be kept and maintained by each such employee for not less than five (5) years subsequent to the date such compensation was earned.

Section 6. DUTIES OF THE DIRECTOR OF REVENUE. It shall be the duty of the Director of Revenue to collect and receive all license fees imposed by this Ordinance and to keep records showing the amounts received by him from each employer. All moneys received by the Director of Revenue shall be deposited in a duly approved depository.

Section 7. INVESTIGATIVE POWERS OF THE DIRECTOR OF REVENUE. The Director of Revenue or any agent or employee designated by him is hereby authorized to examine the books, papers and records of any employer or supposed employer, or of any licensee or supposed licensee, in order to determine the accuracy of any return made, or if no return was made to ascertain the amount of license fees due under the terms of this Ordinance by such examination. Each such employer or supposed employer or licensee or supposed licensee shall give to the Director of Revenue, or to his duly authorized agent or employee, the means, facilities and opportunity for the making of such examination and investigation. The Director of Revenue is hereby authorized to examine any person under oath concerning any gross receipts which were or should have been shown in a return, and to this and he may compel the production of books, papers, records and the attendance of all persons before him, whether as parties or as witnesses, whom he believes to have knowledge of such gross receipts or compensation.

Section 8. REGULATIONS MAY BE PROMULGATED. The Director of Revenue may prescribe, adopt, promulgate and enforce reasonable rules and regulations not in conflict with this Ordinance relating to any matter or thing pertaining to the administration and enforcement of the provisions of this Ordinance, including but not limited to provisions for the re-examination and correction of returns as to which overpayment or underpayment is claimed or found to have been made, and the regulations so promulgated shall be binding upon all licensees and employers.

Section 9. INFORMATION TO BE CONFIDENTIAL. Notwithstanding any resolutions and ordinances to the contrary, any information gained by the Director of Revenue or any other official or agent or employee of the County as a result of any returns, investigations, hearings, or verifications required or authorized by this Ordinance shall be confidential, except for official purposes, or in accordance with proper judicial order, or the enforcement of this Ordinance, and any person or agent divulging such information, except as herein permitted, shall upon conviction be subject to a fine of not more than One Hundred Dollars ($100.00) or to imprisonment of not exceeding thirty (30) days, or to both such fine and imprisonment.

Section 10. INTEREST AND PENALTIES.

(A) All license fees imposed by this Ordinance which are delinquent, that is, which remain unpaid after they become due shall, subject to the provisions hereinafter set out, bear interest at the rate of twelve percentum (12%) per annum, and any person who has failed to pay such license fees when the same became due shall, subject to the provisions hereinafter set out, also be charged a penalty of ten percentum (10%) of the amount of such unpaid license fees. Any person or employer who fails or refuses to withhold any license fees payable under this Ordinance, or who fails to pay such fees after withholding the same to the County at the time it is due, as provided under the provisions of Section 4 hereof, shall become liable to the County for such fees, as well as for the interest thereon at the rate of twelve percentum (12%) per annum, and for the aforesaid penalty. Provided, however, that the minimum penalty imposed against such

person or employer shall be Three Dollars ($3.00). Provided the Director of Revenue, if a good and sufficient reason is shown for the failure to pay the tax within the time required, may waive or remit the penalty and interest, or a portion of either, upon payment of the tax due.

(B) Any person or employee who shall fail, neglect or refuse to pay a license fee as by this Ordinance required, or any employer who shall fail to withhold said license fees, or to pay over to County such license fees, penalties or interest imposed by this Ordinance, or any person required to file a return under the provisions of Section 5 of this Ordinance, who shall fail, neglect or refuse to file such return, or any person or employer who shall refuse to permit the Director of Revenue or any agent or employee designated by him, in writing, to examine his books, records and papers for any purpose authorized by this Ordinance, or who shall knowingly make any incomplete, false or fraudulent return, or who shall attempt to do anything whatever to avoid the full disclosure of the amount of gross receipts or compensation in order to avoid the payment of the whole or any part of a license fee, shall upon conviction be subject to punishment within the limits of and as provided by law for each offense. Such punishment shall be in addition to the penalties imposed under subsection (A) of this section.

Section 11. EXTENSION OF TIME FOR MAKING RETURN. The Director of Revenue, for good cause, may extend the time for making any return required under the provisions of this Ordinance, but the time for filing any such return shall not be extended for a greater period than thirty (30) days from the day such return is due to be

made and shall not prevent penalty and interest from accruing during the period of such extension.

Section 12. USE OF LICENSE FEES. All money derived from license fees under the provisions of this Ordinance shall be paid to the General Fund of the County and expended as authorized by law.

Section 13. SEVERABILITY. The provisions of this Ordinance are severable. If any provision, section, paragraph, sentence or part thereof, or the application thereof to any employer or licensee or class or persons, shall be held unconstitutional or invalid, such decision shall not affect or impair the remainder of the Ordinance, it being the legislative intent to ordain and enact each provision, section, paragraph, sentence and part thereof, separately and independently of each other.

Section 14. REPEAL OF RESOLUTION AND ORDINANCES. All resolutions and ordinances or parts of resolutions and ordinances in conflict with this Ordinance are to the extent of such conflict hereby repealed.

Section 15. EFFECTIVE DATE. This Ordinance shall be in full force and effect on and after January 1, 1988, and from year to year thereafter, until repealed.

REVENUE AND TAXATION

CHAPTER 12.

LICENSES.

Article I.

General Provisions.

Sec.

40-12-1. Change of place of business.

40-12-2. Issuance; form of license; levy of county tax; actions for recovery of tax.

40-12-3. Collection and distribution where both state and county license tax levied.

40-12-4. County license tax for school purposes – Authority to levy.

40-12-4.1. County license tax for school purposes – Use of proceeds from taxes levied under Section 40-12-4.

40-12-5. County license tax for school purposes – Collection and enforcement.

40-12-6. County license tax for school purposes – Administration and collection in accordance with Sections 11-51-180 through 11-51-185.

40-12-7. County license tax for school purposes – Disposition of funds collected; charge for collecting.

40-12-8. False affidavits or certificates.

40-12-9. Penalty for failure to take out license; selling throughout state under one license.

40-12-10. License inspectors generally; when taxes due and payable; collection and distribution of penalties and citation fees on delinquent licenses.

40-12-11. Bonds of license inspectors.

40-12-12. License to designate place of business.

40-12-13. Engaging in several businesses.
40-12-14. Two or more licenses on same business.
40-12-15. License deemed a personal privilege; transferability.
40-12-16. Sworn statements of amount of capital, value of goods, stock, etc.
40-12-17. Population of municipality as determining tax.
40-12-18. Penalty on agents of persons, firms, etc., who have not paid tax.
40-12-19. Duty of Department of Finance to prepare forms of licenses.
40-12-20. License and stub must correspond.
40-12-21. Records to be kept by probate judge.
40-12-22. Disposition of moneys by probate judge.
40-12-23. Applications for refunds; additional license.
40-12-24. Department of Revenue to certify refund; State Comptroller and county commission to draw warrants payable to applicant.
40-12-25. License for part of year.
40-12-26. Due and delinquent date; term of license.
40-12-27. Each day's violation a separate offense.
40-12-28. Disposition of proceeds of funds from licenses pertaining to timber or timber products.
40-12-29. Additional penalty for failure to comply with Articles 8 and 9 of this chapter.
40-12-30. Department of Revenue authorized to promulgate rules and regulations.

Article 2.

Business, Vocation or Occupation.

40-12-40. Who must procure state and county licenses.
40-12-41. Abstract companies, etc.
40-12-42. Acetylene gas and carbide manufacturers.

40-12-43. Actuaries, auditors, and public accountants.
40-12-44. Adding machines, calculating machines, comptometers, etc.
40-12-45. Advertising.
40-12-46. Air-conditioning plants and equipment.
40-12-47. Amusement parks.
40-12-48. Architects.
40-12-49. Attorneys.
40-12-50. Auctioneers.
40-12-51. Automobile dealers.
40-12-52. Repealed.
40-12-53. Automobile accessory dealers.
40-12-54. Automobile garages and shops.
40-12-55. Automobile storage garages.
40-12-56. Automobile storage other than in garages.
40-12-57. Automobile tire retreading shops.
40-12-58. Barbers.
40-12-59. Baseball parks.
40-12-60. Battery shops.
40-12-61. Beauty parlors, etc.
40-12-62. Bicycles and motorcycles; dealer tags.
40-12-63. Blueprint makers.
40-12-64. Bond makers.
40-12-65. Bottlers.
40-12-66. Bowling alleys.
40-12-67. Brokers and agents of iron, railway, etc., supplies.
40-12-68. Brooms, brushes, mops, etc.
40-12-69. Cereal beverages, carbonated or other soft drinks – Retailers.
40-12-70. Cereal beverages, carbonated or other soft drinks – Wholesalers.

40-12-71. Certified public accountants.
40-12-72. Cigars, cigarettes, cheroots, etc. – Retailers.
40-12-73. Cigars, cigarettes, cheroots, etc. – Wholesalers.
40-12-74. Circuses.
40-12-75. Cleaning and pressing establishments.
40-12-76. Coal and coke dealers – Maintaining yards.
40-12-77. Coal and coke dealers – Not maintaining yards.
40-12-78. Coffins and caskets – Manufacturers.
40-12-79. Coffins and caskets – Dealers and agents.
40-12-80. Collection agencies.
40-12-81. Commission merchants or merchandise brokers.
40-12-82. Concerts, musical entertainments, etc.
40-12-83. Conditional sales contracts, drafts, acceptances, etc.; dealers in.
40-12-84. Construction companies or contractors.
40-12-85. Cotton buyers.
40-12-86. Cotton compresses.
40-12-87. Cottonseed oil mills, cotton mills, factories, etc.
40-12-88. Cotton warehouses.
40-12-89. Credit agencies.
40-12-90. Creosoting, etc.
40-12-91. Delicatessen shops.
40-12-92. Dentists.
40-12-93. Detective agencies.
40-12-94. Developing and printing films.
40-12-95. Devices for testing skill and strength used for profit.
40-12-96. Directories.

40-12-97. Electric refrigerators, electric or gas heaters, etc.
40-12-98. Embalmers.
40-12-99. Engineers.
40-12-100. Fertilizer factories.
40-12-101. Fire, closing out, etc., sales.
40-12-102. Fireworks.
40-12-103. Flying jennies, merry-go-rounds, etc.
40-12-104. Fortunetellers, palmists, clairvoyants, etc.
40-12-105. Fruit dealers.
40-12-106. Gasoline stations and pumps.
40-12-107. Glass.
40-12-108. Golf, miniature golf, etc., courses.
40-12-109. Hat-cleaning establishments.
40-12-110. Hide, fur, etc., dealers.
40-12-111. Horse show, rodeo, or dog and pony shows.
40-12-112. Horse, mule, etc., dealers.
40-12-113. Ice cream.
40-12-114. Ice factories.
40-12-115. Innkeepers and hotels.
40-12-116. Junk dealers.
40-12-117. Laundered towel, apron, etc., rentals; diaper services.
40-12-118. Laundries.
40-12-119. Legerdemain and sleight of hand.
40-12-120. Lightning rods.
40-12-121. Lumber and timber dealers.
40-12-122. Lumberyards.
40-12-123. Machinery repair shops.
40-12-124. Manicurists, hairdressers, etc.
40-12-125. Mattresses, cushions, pillows, etc.
40-12-126. Medicine, chemistry, bacteriology, etc.

40-12-127. Mimeographs, duplicating machines, dictaphones, etc.
40-12-128. Mining of iron ore – Levy and amount of tax; limitation of actions.
40-12-129. Mining of iron ore – Report of operators.
40-12-130. Mining of iron ore – Report of persons receiving products.
40-12-131. Monuments and tombstones.
40-12-132. Moving picture shows – Transient operators.
40-12-133. Moving picture shows – Permanent operators.
40-12-134. Newsstands.
40-12-135. Oculists, optometrists and opticians.
40-12-136. Osteopaths and chiropractors.
40-12-137. Packinghouses, cold storage plants, etc.
40-12-138. Pawnbrokers.
40-12-139. Peddlers and itinerant vendors.
40-12-140. Photographers and photograph galleries.
40-12-141. Pianos, organs and other musical instruments.
40-12-142. Pig iron storage operators.
40-12-143. Pistols, revolvers, bowie and dirk knives, etc.
40-12-144. Playing cards.
40-12-145. Plumbers, steam fitters, tin shop operators, etc.
40-12-146. Pool tables.
40-12-147. Racetracks, athletic fields, etc.
40-12-148. Radios.
40-12-149. Real estate brokers and agents – Realty situated within state.
40-12-150. Real estate brokers and agents – Realty situated without the state.
40-12-151. Restaurants, cafes, cafeterias, etc.

40-12-152. Roadhouses, nightclubs, etc.
40-12-153. Sandwich shops, barbecue stands, etc.
40-12-154. Sawmills, heading mills or stave mills.
40-12-155. Scientists, naturopaths, and chiropodists.
40-12-156. Sewing machines.
40-12-157. Shooting galleries.
40-12-158. Shotguns, rifles, ammunition, etc.
40-12-159. Skating rinks.
40-12-160. Soliciting brokers.
40-12-161. Spectacles or eyeglasses.
40-12-162. Stock and bond brokers.
40-12-163. Street fairs and carnivals.
40-12-164. Supply cars.
40-12-165. Syrup and sugar factories.
40-12-166. Theaters, vaudeville and variety shows.
40-12-167. Ticket scalpers.
40-12-168. Tourist camps.
40-12-169. Tractors, road machinery and trailers.
40-12-170. Trading stamps.
40-12-171. Transfer of freight.
40-12-172. Transient dealers.
40-12-173. Transient theatrical and vaudeville shows.
40-12-174. Transient vendors and peddlers.
40-12-175. Turpentine and resin stills.
40-12-176. Vending machines.
40-12-177. Veneer mills, planing mills, box factories, etc.
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Distributors of Motor Fuels.

40-12-190. Definitions.
40-12-191. Required; application.
40-12-192. When department may refuse to issue license; appeal.
40-12-193. Filing fee.
40-12-194. Bond required.
40-12-195. Issuance of license; revocation; non-transferability.
40-12-196. Engaging in business without license.
40-12-197. Reports and payments upon discontinuance or transfer of business.
40-12-198. Transportation of gasoline.
40-12-199. Transportation of gasoline by boats over navigable waters of state.
40-12-200. Delivery of gasoline from tank truck to motor vehicle tank prohibited; exception.
40-12-201. Forfeiture of vehicles and boats illegally transporting or delivering gasoline.
40-12-202. Rewards; disposition of proceeds of fines.
40-12-203. Repealed.
40-12-204. Restraining and enjoining violations.
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40-12-222. Levy and amount of tax.

40-12-223. Exemptions.
40-12-224. Collection of tax.
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40-12-227. Disposition of proceeds of tax; distribution of enforcement.

Article 5.

Motor Vehicles.

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GENERAL PROVISIONS.

40-12-240. Definitions.
40-12-241. Station wagons, jeeps, etc., classified as passenger automobiles.
40-12-242. License taxes and registration fees – Private passenger automobiles and motorcycles.
40-12-243. License taxes and registration fees – Exemption of private passenger vehicles of foreign consuls; special plates for such vehicles.
40-12-244. License taxes and registration fees – Exemption for disabled veterans, members of national guard or reserves, members of rescue squads and civil air patrol.
40-12-245. License taxes and registration fees – Jitney buses.
40-12-246. License taxes and registration fees – Motor buses or motor vehicles transporting passengers for hire.
40-12-247. License taxes and registration fees – Hearses and ambulances.
40-12-248. License taxes and registration fees – Trucks or truck tractors – Generally.

40-12-249. License taxes and registration fees – Trucks or truck tractors – Change in gross vehicle weight allowance or in use of vehicle.

40-12-250. Tags for motor vehicles owned and used by state, county, municipality or municipal corporation or board.

40-12-251. Motor tractors.

40-12-252. Basis of tax for truck trailers, tractors trailers and semitrailers.

40-12-253. Ad valorem taxation of motor vehicles.

40-12-254. Motor vehicles issued to disabled veterans.

40-12-255. Manufactured homes – Annual registration fee; identification decal; ad valorem taxes; disbursement; issuance fee; penalties; owner of real estate to provide information to commissioner; gas or electric services entity to provide list; requirements for registration; exemptions; moving of homes.

40-12-256. Manufactured homes – Ad valorem taxation – Generally.

40-12-257. Citations for noncompliance with Sections 40-12-255 and 40-12-256.

40-12-258. Amount of license for part of year; placement of license tags.

40-12-259. Payment of license tax and registration fee on quarterly declining basis.

40-12-260. Transfer of tags.

40-12-261. Fee for recording change of ownership of motor vehicle.

40-12-262. Effect of provisions relative to registration and display of tags on nonresidents; international registration plan; temporary trip permit; penalties.

40-12-263. Registration of certain commercial vehicles owned by nonresidents prohibited.

40-12-264. Time limit for purchase of tags; dealers' tags.
40-12-265. Mutilation or alteration of tags; replacement tags; use of improper tags.
40-12-266. Total destruction or wreckage of vehicle.
40-12-267. Date licenses become due and delinquent.
40-12-268. Other taxes precluded.
40-12-269. Remittance of moneys and certification of lists of motor vehicles by probate judge.
40-12-270. Disbursement of net proceeds from license taxes and registration fees; secondary road committee created.
40-12-271. Fee of probate judge or county license commissioner for issuing license.
40-12-272. Rules and regulations for enforcement of Sections 40-12-260, 40-12-261, and 40-12-266.
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40-12-291. Design and renewal of license plates or tags.
40-12-292. Replacement of defaced, lost or destroyed plates or tags.
40-12-293. Exemption from other licensing requirements, license or privilege taxes and ad valorem taxation.
40-12-294. Rules and regulations.
40-12-295. Department of revenue to furnish list of registrants.
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40-12-313. Examination of application and issuance of license.

40-12-314. Expiration and renewal of licenses.

40-12-315. Annual fees.

40-12-316. Fees for portion of year.

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40-12-318. Payment of expenses; net collections paid into treasury.

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General Provisions.

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40-12-344. Employees, apprentices and helpers.
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40-12-348. Corporations, associations and partnerships.
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40-12-375. Corporations, associations and partnerships; certain veterans not exempt.

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Motor Vehicle Dealers, Reconditioners, Rebuilders and Wholesalers.

40-12-390. Definitions.

40-12-391. License – Required; state sales tax number; requirements for buying, exchanging, advertising, etc., new motor vehicles.

40-12-392. License – Application; fee; wholesalers, reconditioners or rebuilders who are also dealers; restrictions on sales by wholesalers, reconditioners and rebuilders.

40-12-393. License – Disposition of fees collected.

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40-12-414. License – Proof of financial responsibility.
40-12-415. License – Term; renewal.
40-12-416. License – Refusal, cancellation, or revocation – Authority of Commissioner of Revenue.
40-12-417. Repealed.
40-12-418. Other licenses not required.
40-12-419. Records to be kept; inspection of records.
40-12-420. Transfer of motor vehicle certificate of title to or from automotive dismantler and parts recycler.
40-12-421. Restrictions on sales at salvage pools or salvage disposal sales; buyer's identification cards.
40-12-422. Salvage dealers licensed in other states.
40-12-423. License plates from dismantled vehicles to be forwarded to Department of Revenue.
40-12-424. Penalty.
40-12-425. Injunctive relief.

§ 40-12-1. Change of place of business.

When a person has obtained a license to engage in or carry on any business, employment, or profession at any definite place in a county or city in Alabama and desires to remove to any other place within the same county or city where the license was granted and wishes his license altered accordingly, the probate judge who originally issued such license shall make such alteration, which alteration shall be shown on the license records of the probate judge's office; provided, that no license shall be altered to change a place of business to a location requiring a higher license than originally paid. (Acts 1935, No. 194, p. 256; Code 1940, T. 51, § 830.)

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§ 40-12-2. Issuance; form of license; levy of county tax; actions for recovery of tax.

(a) Before any person, firm, or corporation shall engage in or carry on any business or do any act for which a license by law is required, he, they, or it, except as otherwise provided, shall pay to the judge of probate of the county in which it is proposed to engage in or carry on such business or do such act, or to the commissioner of licenses or the State Department of Revenue, as specified, the amount required for such license and shall comply with all the other requirements of this title.

(b) Upon the payment of the amount required for said license and a fee of $1 herein provided for the issuance of such license and all costs and fees and penalties which shall have accrued, or for which such person,

firm, or corporation shall have become liable in any proceedings commenced for the collection of such license, or to enforce payment thereof, such probate judge, commissioner of licenses or Department of Revenue shall issue the license properly countersigned, in the form and on the blank to be furnished by the comptroller, which shall set forth and specify the name of the person, firm, or corporation applying therefor, whether the business, profession, or occupation for which the license is procured is owned by an individual, partnership, corporation, or other association, stating the name of the individual, the name of each of the partners if a partnership, the exact name of the corporation or association, if a corporation or association, and the name of each of the principal officer thereof, the business or act which it is proposed to carry on or do thereunder, the name of the street or location where it is proposed to carry on the same, if such location shall be in a city or town and have a street number and, if not, then the location and amount paid for such license, and the time for which it is issued; and if the license is for a peddler it shall state whether he proposes to travel on foot or on horseback or on wagon or motor vehicle; provided, that the governing body of any county may furnish application blanks in such form that the applicant for a license may supply the above information in writing; and such license shall not be transferable except as otherwise provided herein, nor shall it entitle the holder thereof to carry on any other business or do any other act than that named therein.

(c) Whenever a license is levied in this title, there shall be collected both a state and county license for each

place of business, except as specifically otherwise provided.

(d) In case it should become necessary to remove any business for which a license is required by this section from one location to another location in the same county, and such business is continued as the same kind and character and by the same person or firm as that carried on at the former location, another license shall not be required for such business for the same license year.

(e) There is hereby levied for the use and benefit of and to be paid to the county in which the license is issued, in addition to all license taxes levied under the provisions of Article 2 of this chapter, for state purposes and which are payable to the judge of probate or commissioner of licenses, a sum equal to 50 percent of the amount levied for state purposes, except as otherwise specifically provided.

(f) Any action to recover the amount due for any license, whether levied solely for state purposes or for state and county purposes, shall be instituted by the State of Alabama and may include all penalties and fees due by any person, in addition to the amount due for such license and interest thereon. The amount recovered in any such actions shall be paid to the State Department of Revenue, and if any portion of said license was levied for county purposes, such portion shall be remitted to the county in which such license was payable, and the department may from the amount of any penalties or fee thus recovered remit the amount, if any, due to the judge of probate, commissioner of licenses, or license inspector. (Acts 1935, No. 194, p. 256; Acts 1939, No. 18, p. 16; Code

1940, T. 51, § 831; Acts 1943, No. 546, p. 535; Acts 1951, No. 700, p. 1208; Acts 1984, No. 84-446, p. 1040, § 7.)

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§ 40-12-9. Penalty for failure to take out license; selling throughout state under one license.

(a) It shall be unlawful for any person, firm, or corporation to engage in or carry on any business, or do any act for which a license is required now or may hereafter be by law, without having first paid for and taken out a license therefor in the manner in this title provided. Any person who is convicted of failing to take out and pay for the license required shall be fined not less than the amounts of all licenses required of him and, if convicted for refusing to take out the license shall, on conviction, be fined not less than the amount of the state and county license due by him and not more than $100 in addition thereto, and may be sentenced to hard labor for the county for not more than six months, all fines to be paid in money; and, when collected, two thirds shall be paid to the state and one third to the county.

(b) No person shall be allowed the privilege of selling throughout the state under one license except by special provisions of law. (Acts 1935, No. 194, p. 256; Code 1940, T. 51, § 834.)

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§ 40-12-11. Bonds of license inspectors.

Before entering upon the duties of their office, all license inspectors shall execute to the State of Alabama a bond, to be approved by the Governor, in amounts to be fixed by the Department of Revenue, for the faithful performance of their duties. (Acts 1943, No. 122, p. 123; Acts 1961, Ex. Sess., No. 208, p. 2190.)

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§ 40-12-12. License to designate place of business.

Every license granting authority to engage in or exercise any business, employment, or profession, unless expressly authorized elsewhere or otherwise, shall designate the place of such business, employment, or profession at some specified house or other definite place within the county of the probate judge granting it. Engaging in or exercising any such license, business, employment, or profession elsewhere than at such house or definite place, unless expressly authorized elsewhere or otherwise by law, shall be held to be without license. A license which does not specify such house or definite place where business, employment, or profession is limited thereto by law shall be void. (Acts. 1935, No. 194, p. 256; Code 1940, T. 51, § 836.)

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§ 40-12-13. Engaging in several businesses.

Where any person, firm, or corporation is engaged in more than one business which is made by the provisions of law subject to taxation, such incorporated company or person shall pay the tax provided by law on each branch of the business. (Acts 1935, No. 194, p. 256; Code 1940, T. 51, § 838.)

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§ 40-12-14. Two or more licenses on same business.

Wherever in this title two or more licenses on the same business or occupation are required, it is hereby declared to be the intention of the legislature that all such licenses as are herein levied shall be collected without credit or offset, except where specific provision is made therefor. (Acts. 1935, No. 194, p. 256; Code 1940, T. 51, § 839.)

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§ 40-12-15. License deemed a personal privilege; transferability.

(a) Every license shall be held to confer a personal privilege to transact the business, employment, or profession which may be the subject of the license and shall not be exercised except by the person, firm, or corporation licensed, unless specifically authorized by law to do so.

(b) When a business or privilege for which such license is issued is, under actual sale, transferred to a new ownership, a transfer of license may be effected by application to the probate judge originally issuing such license and the payment of a fee of $1. (Acts 1935, No. 194, p. 256; Code 1940, T. 51, § 840; Acts 1984, No. 84-446, p. 1040, § 7.)

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§ 40-12-40. Who must procure state and county licenses.

Every person, firm, company, corporation or association, receiver or trustee, but not a governmental subdivision, engaged in any business, vocation, occupation, calling, or profession herein enumerated or who shall exercise any privilege hereinafter described for which a license or privilege tax is required shall first procure a state license, and a county license when so required, and shall pay for the same or shall pay for the exercise of such privilege the amounts hereinafter provided, and comply with all other provisions of this title. (Acts 1935, No. 194, p. 256; Code 1940, T. 51, § 450.)

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§ 40-12-43. Actuaries, auditors, and public accountants.

Each professional actuary, auditor, or public accountant shall pay a license tax of $25 to the state, but no

license tax shall be paid to the county. If such business is conducted as a firm or as a corporation in which more than one person above named is engaged, each person so engaged shall pay a license tax of $25. (Acts 1935, No. 194, p. 256; Code 1940, T. 51 § 453.)

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§ 40-12-44. Adding machines, calculating machines, comptometers, etc.

Each person engaged in the business of selling adding machines, calculating machines, comptometers, billing machines, bookkeeping machines, cash registers, typewriters, or similar machines shall pay the following annual privilege tax: in counties of over 100,000 inhabitants, $100; in counties of over 60,000 inhabitants and not over 100,000 inhabitants, $60; in counties of over 40,000 inhabitants and not over 60,000 inhabitants, $40; in counties of 40,000 inhabitants or less, $25. (Acts 1935, No. 194, p. 256; Code 1940, T. 51 § 454.)

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§ 40-12-45. Advertising

All bill posting and advertising companies displaying advertisements in public places, including streetcars, and each person engaged in the business of advertising or bill posting shall pay the following license taxes: in counties having 200,000 inhabitants or over, $150; in

counties of less than 200,000 inhabitants and as many as 100,000 inhabitants, $125; in counties of less than 100,000 inhabitants and as many as 75,000 inhabitants, $100; in counties of less than 75,000 inhabitants and as many as 50,000 inhabitants, $50; in counties of less than 50,000 inhabitants and as many as 30,000 inhabitants, $25; in counties of less than 30,000 inhabitants, $15. (Acts 1935, No. 194, p. 256; Code 1940, T. 51, § 456.)

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§ 40-12-48. Architects.

Each architect practicing his profession for the public shall pay to the state a license tax of $25, but no license shall be paid to the county. If such business is conducted as a firm or as a corporation in which more than one person above named is engaged, each person so engaged shall pay the amount provided above. (Acts 1935, No. 194, p. 256; Code 1940, T. 51 § 459.)

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§ 40-12-49. Attorneys.

(a) Each attorney engaged in the practice of law shall pay an annual license tax to the state, but none to the county. On October 1, 1992, the license tax shall be $200, and on October 1, 1993, and each year thereafter,

the annual license tax shall be $250. If business is conducted as a firm or as a corporation in which more than one lawyer is engaged, each lawyer shall pay such license tax, but no lawyer shall be required to pay a license tax until the first day of October following admission to the bar. The license tax shall be paid to the Secretary of the Board of Bar Commissioners of the Alabama State Bar. The funds collected for the issuance of the license tax levied shall constitute a separate fund to be disbursed on the order of the Board of Commissioners of the Alabama State Bar. As soon after the first day of each November as practicable, the Secretary of the Alabama State Bar shall certify to the presiding judge of the circuit court having jurisdiction in the county the names of attorneys who have paid the license tax.

(b) The license taxes shall be due and payable on October 1 of each year and shall be delinquent on the following November 1. If a license is delinquent, the Secretary of the Board of Bar Commissioners of the Alabama State bar shall assess and collect a penalty of 15 percent of the amount of the license. The penalty shall be paid when the license is issued.

(c) Section 40-12-10, relating to the collection and distribution of business license taxes shall not be applicable to license taxes provided in subsection (a). ((Acts 1935, No. 194, p. 256; Acts 1939, No. 551, p. 871; Code 1940, T. 51, § 460; Acts 1951, No. 186, p. 437; Acts 1959, No. 156, p. 682; Acts 1966, Ex. Sess., No. 287, p. 430; Acts 1971, No. 958, p. 1716; Acts 1979, Ex. Sess., No. 79k-27, p.

37; Acts 1985, 1st Ex. Sess., No. 85-119; Acts 1992, No. 92-600, p. 1246, § 1.)

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§ 40-12-50. Auctioneers.

Auctioneers and apprentice auctioneers shall pay annual license taxes in accordance with Chapter 4 of Title 34.

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§ 40-12-70. Cereal beverages, carbonated or other soft drinks – Wholesalers.

Each person engaged in the business of selling at wholesale nonalcoholic, carbonated, or other soft drinks shall pay an annual license tax of $50; provided, that bottlers who have taken out the bottle license for operating plants in this state shall not be liable under this section, nor shall such bottlers be liable for any county or state license under Section 40-12-174, nor as transient vendors or dealers or peddlers. (Acts 1935, No. 194, p. 256; Code 1940, T. 51, § 483.)

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§ 40-12-71. Certified public accountants.

(a) In lieu of any other privilege license fees levied under the revenue laws of the State of Alabama, each person who holds a certificate as a certified public accountant and who is a resident of the State of Alabama and who is engaged in the practice of public accounting in the State of Alabama shall pay an annual license fee of $25, but no license fee shall be paid to the county. Such license shall be obtained from the probate judge or licensing agency in the county where the business of a certified public accountant is located and shall be due and delinquent as provided by Section 40-12-26. All money paid into the treasury for license under this section shall be deposited in the State Treasury to the credit of the Alabama State Board of Public Accountancy and shall constitute a separate fund to be disbursed as provided in subsection (b) of this section.

(b) The fund provided by subsection(a) of this section shall be used by the Alabama State Board of Public Accountancy to defray the expenses for administering and enforcing the laws of the State of Alabama pertaining to the practice of public accounting and the other necessary purposes and expenses of said board not otherwise available and provided pursuant to Section 34-1-3; and the said Alabama State Board of Public Accountancy shall have the power to direct the disbursement of said fund, which shall be paid on the warranty of the State Comptroller upon certificate or voucher of the secretary of said board, approved by the chairman or vice-chairman of said board. No funds shall be withdrawn or expended

except as budgeted and allotted according to the provisions of Article 4 of Chapter 4 of Title 41, and only in amounts as stipulated in the general appropriations bill.

(c) No license fee as herein provided shall be due or payable by any certified public accountant employed by any state or federal government agency, educational institution, or industry, who does not perform public accounting service for which he is paid. (Acts 1969, No. 269, p. 599, §§ 1-3.)

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§ 40-12-72. Cigars, cigarettes, cheroots, etc. – Retailers.

Each retail dealer in cigars, cheroots, stogies, cigarettes, smoking tobacco, chewing tobacco, or snuff, or any substitute therefor, either or all, shall pay to the state the following privilege license tax: in cities of 25,000 inhabitants and over, $15; in cities or towns of 10,000 inhabitants and less than 25,000 inhabitants, $10; in cities or towns of 5,000 inhabitants and less than 10,000 inhabitants, $5; in cities or towns of 2,000 inhabitants and less than 5,000 inhabitants, $3; in all other places, whether incorporated or not, $2. This privilege license tax is levied on each place of business owned or operated by retail dealers, whether under the same roof or not. The phrase "retail dealer" as used in this section shall include every person, firm, corporation, club, or association, other than a wholesale dealer as defined in Section 40-12-73, who shall sell or store or offer for sale any one or more of the articles enumerated herein, irrespective of quantity or

amount, or the number of sales. The privilege license tax herein defined shall be in addition to the sales tax as provided in Section 40-25-2. (Acts 1935, No. 194, p. 256; Code 1940, T. 51, § 484.)

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§ 40-12-73. Cigars, cigarettes, cheroots, etc. – Wholesalers.

Each wholesale dealer in cigars, cheroots, stogies, cigarettes, smoking tobacco, chewing tobacco, snuff, or any substitute therefor, either or all, shall pay one privilege license tax to the state of $100 and $5 to each county in which such wholesale dealer does business. The phrase "wholesale dealer" as used in this section shall include persons, firms, corporations, clubs, or associations who shall sell or store or offer to sell any one or more of the articles enumerated herein to retail dealers for the purpose of resale only. The privilege license tax herein levied shall be in addition to the sales tax as provided in Section 40-25-2. (Acts 1935, No. 194, p. 256; Code 1940, T. 51, § 485.)

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§ 40-12-95. Devices for testing skill and strength used for profit.

For each device used by persons as a source of profit to themselves, such as throwing at wooden figures or any object of like character, striking at an object to test the strength, blowing to test the lungs, or other devices of like character, or for operating a cane rack, a knife rack, or similar rack or table, there shall be paid a license tax of $25, in each county in which it is operated, but this section shall not be construed to legalize the operation of any device which is now prohibited by law. (Acts 1935, No. 194, p. 256; Code 1940, T. 51, § 507.)

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§ 40-12-96. Directories.

Each person compiling, selling, or offering for sale directories shall pay to the state license taxes as follows: for each city or town of 100,000 inhabitants or over, $150; in cities or towns of 50,000 and less than 100,000 inhabitants, $75; in cities or towns of 20,000 and less than 50,000 inhabitants, $50; in cities and towns of less than 20,000 inhabitants, $15; provided, that this section shall not apply to directories issued by any person in connection with or as a part of a business for which a general license tax is provided. (Acts 1935, No. 194, p. 256; Code 1940, T. 51, § 509.)

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§ 40-12-97. Electric refrigerators, electric or gas heaters, etc.

For each dealer in electric, gas, or other mechanical refrigerators, electric or gas heaters, electric or gas water heaters, electric or gas stoves, or for each electrical or gas repair shop, or electrical or gas supply shop there shall be paid a license tax as follows: in cities of 100,000 inhabitants or over, $30; in cities of 50,000 and less than 100,000 inhabitants, $20; in cities of 10,000 and less than 50,000 inhabitants, $10; and in places of less than 10,000 inhabitants, whether incorporated or not, $5. (Acts 1935, No. 194, p. 256; Code 1940, T. 51, § 511.)

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§ 40-12-98. Embalmers.

Each embalmer shall pay an annual license tax of $10. (Acts 1935, No. 194, p. 256; Code 1940, T. 51, § 512.)

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§ 40-12-99. Engineers.

Each person practicing for the public the profession of civil, electrical, mining, mechanical, or radio engineering shall pay an annual license tax of $20 to the state, but no license shall be paid to the county. If such business is conducted as a firm or corporation in which more than one engineer is engaged, each engineer so engaged shall

pay a license tax of $20. No such engineer shall be required to pay this license tax until after he has practiced his profession for two years in this state or elsewhere. An engineer who is an employee of the state or of any county or municipality at a fixed salary and who engages in no other engineering work for compensation is not subject to this license tax when so employed. (Acts 1935, No. 194, p. 256; Code 1940, T. 51, § 522.)

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§ 40-12-100. Fertilizer factories.

Each person owning or operating any fertilizer factory shall pay a license tax as follows: in which the capital invested does not exceed $25,000, $50; in which the capital invested exceeds $25,000 and does not exceed $50,000, $100; in which the capital invested exceeds $50,000 and does not exceed $100,000, $200; in which the capital invested exceeds $100,000, $250 for each factory. Each fertilizer mixing plant shall pay a license tax of $15. (Acts 1935, No. 194, p. 256; Code 1940, T. 51, § 524.)

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§ 40-12-101. Fire, closing out, etc., sales.

Each person, other than the original bona fide owners, selling goods, wares, or merchandise as an insurance, bankruptcy, mortgage, insolvent, assignee's, executor's, administrator's, receiver's, trustee's, removal, or

closing out sale, or a sale of goods, wares, and merchandise damages by fire, smoke, water, or otherwise, shall pay license tax of $100. The provisions of this section shall not apply to sheriffs, constables, or other public or court officers or to any other persons acting under the license, discretion, or authority of any court, state or federal, selling goods, wares, or merchandise in the course of their official duties. (Acts 1935, No. 194, p. 256; Code 1940, T. 51, § 525.)

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§ 40-12-124. Manicurists, hairdressers, etc.

Each person engaging in the business of manicuring, hairdressing or administering facial treatments shall pay a license tax of $5; provided, that this section shall not apply to such persons employed in beauty shops and beauty shop colleges, paying the license tax as provided under Section 40-12-61. (Acts 1935, No. 194, p. 256; Code 1940, T. 51, § 549.)

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§ 40-12-125. Mattresses, cushions, pillows, etc.

Each person engaging in the business of manufacturing or upholstering cushions, mattresses, pillows, or rugs, or the renovating, cleaning or reworking of same, shall pay for the privilege of engaging in such business, $15;

provided that the license tax shall be $5 in towns of 3,000 or less population. (Acts 1935, No. 194, p. 256; Code 1940, T. 51, § 551.)

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§ 40-12-126. Medicine, chemistry, bacteriology, etc.

Each person engaged in the practice of medicine, chemistry, bacteriology, roentgenology, or other similar profession, except chemists, bacteriologists, and roentgenologists employed full time by physicians, non-profit scientific institutions, and hospitals, and except doctors employed exclusively by a medical college, shall pay the following annual license tax: in cities or towns of over 5,000 inhabitants, $25; 1,000 to 5,000 inhabitants, $10; all other places, whether incorporated or not, $5, but no license tax shall be paid to the county. If such business is conducted as a firm or as a corporation in which more than one person is engaged, each person so engaged shall pay the license tax as above stated. The license tax imposed by this section shall not apply until such person shall have practiced his or her profession as long as two years. Two fifths of the annual license tax herein levied shall remain in the treasury and shall constitute a separate fund to be disbursed by the treasurer as follows: All of such fund arising from licenses paid in each of the separate counties of the state shall be set aside in a separate fund for such county and shall be disbursed by the treasurer, on the order of the board of censors of the

medical society of such county, if there is such organization in such county. (Acts 1935, No. 194, p. 256; Acts 1936-37, Ex. Sess., No. 181, p. 210; Code 1940, T. 51, § 552; Acts 1957, No. 379, p. 508.)

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§ 40-12-161. Spectacles or eyeglasses.

Each person selling spectacles or eyeglasses, other than nonprescription sunglasses, shall pay the following license tax: in cities or towns of 50,000 inhabitants and over, $25; in cities or towns of 15,000 inhabitants and less than 50,000 inhabitants, $15; in cities and towns of over 5,000 inhabitants and less than 15,000 inhabitants, $10; and in all other places, whether incorporated or not, $5. (Acts 1935, No. 194, p. 256; Code 1940, T. 51, § 594.)

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§ 40-12-162. Stock and bond brokers.

Each person dealing in stocks and bonds shall pay a license tax of $50. The payment of the license tax required by this section shall authorize the doing of business in the town, city or county where paid. (Acts 1935, No. 194, p. 256; Code 1940, T. 51, § 596.)

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§ 40-12-163. Street fairs and carnivals.

Each person operating or conducting an exhibition termed a "street fair" or "carnival" shall pay to the state a license tax as follows: for an exhibition operating or composed of or controlling or embracing not more than 10 exhibits, devices or concessions, $50; but where more than 10 and not exceeding 20 exhibits, devices or concessions, $75; and where more than 20 and not exceeding 35, $100; and where more than 35 exhibits, devices or concessions, $150. This license shall entitle the street fair or carnival to be operated for a period of not exceeding two weeks in any one place at any one time. For the purpose of this section a "street fair" or "carnival" shall mean a combination of exhibitions, also called sideshows, rides, games of chance, tests of skill or strength, concessions and any other devices generally associated with a "street fair" or "carnival," regardless of ownership, when operated as a combination or a group, and regardless of whether or not an admission is charged to the midway or grounds. A licensee under this section shall not be required to purchase licenses under the provisions of Sections 40-12-69, 40-12-95, 40-12-103, 40-12-140, 40-12-153 and 40-12-157. (Acts 1935, No. 194, p. 256; Acts 1939, No. 391, p. 515; Code 1940, T. 51, § 597; Acts 1967, No. 422, p. 1088.)